

AUGUST 1985/\$10.00

AFTERMARKET/ACCESSORIES

AUTOMOTIVE EXECUTIVE
1985 DEALER
BUSINESS
G · U · I · D · E

OFFICIAL PUBLICATION OF THE NATIONAL AUTOMOBILE DEALERS ASSOCIATION

The complete reference for
auto and truck dealers

BUSINESS SERVICES

SALES SUPPORT

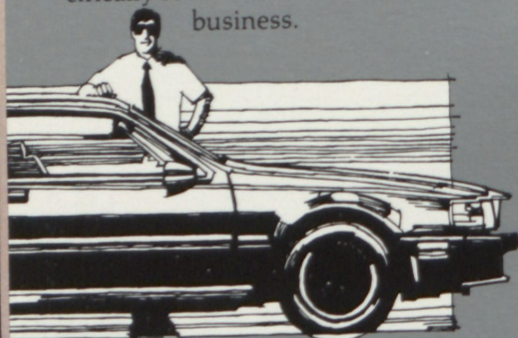
SERVICE/PARTS/BODY SHOP

INDEX OF SUPPLIERS

NOW, GET EVERY COVERAGE YOU NEED FROM THE PEOPLE WHO KNOW YOUR NEEDS THE BEST:

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LIFE

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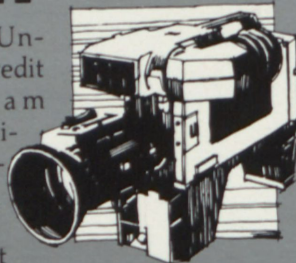
This sensitive area of the automobile dealership business takes careful planning — and that's why Universal is



the best at it. We've been making plans for the continued success of automobile dealerships for sixty-three years.

CREDIT LIFE

Universal Underwriters' Credit Life program offers competitive commissions — you deserve nothing less. But you'll understand our commitment to the needs of automobile dealerships when you learn more about our F & I sales training. Our professional F & I training team has developed a sales training program so effective in increasing your sales that it's been rated one of the best in the industry.



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"click"

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"click"

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"click"

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Tilt-Wheel

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to help consumers buy
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to open new profit
opportunities.

Wholesale Financing
to meet all your floor-
planning requirements.

Rental Plans
to satisfy your
customers'
needs.

Capital Loans
for acquisition
and expansion.

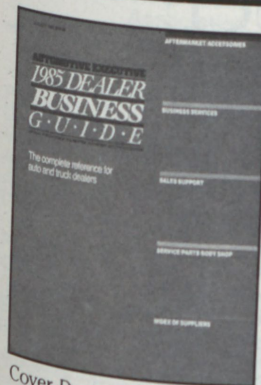
GMAC

Complete Financial Services for GM Dealers

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AUTOMOTIVE EXECUTIVE

OFFICIAL PUBLICATION OF THE NATIONAL AUTOMOBILE DEALERS ASSOCIATION



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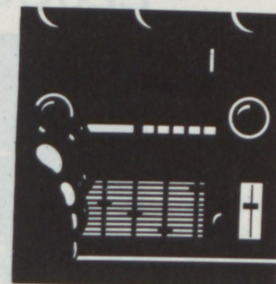
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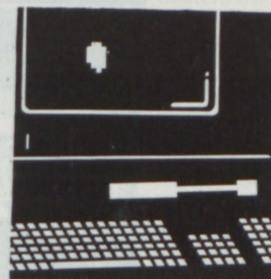
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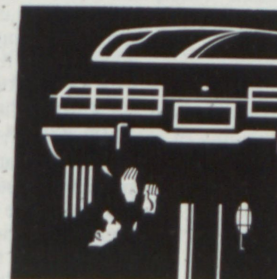
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Let's face facts. A well lit merchandise area is a must when it comes to selling automobiles. If it looks good it sells! That's why it's important to have ElSCO Lighting Products' Auto King VI on your lot.

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NADA Commentary

How To Use This Issue

Welcome to the "1985 Dealer Business Guide," *Automotive Executive's* complete reference for auto and truck dealers. This issue represents our first annual guide, which we plan to publish each August. Contained in its pages is a wealth of information to help dealerships both large and small plan for new and expanded profit opportunities.

Designed as an easy-to-use desktop source, our "Dealer Business Guide" provides ideas, facts and tips you'll refer to all year long. Inside are insightful features about dealership profit centers, summaries of dealer performance and detailed guides to products and services. We think you'll agree this issue is must reading for every dealer's management team.

"The Dealer Business Guide" is divided into four profit-oriented sections: after-market/accessories, business services, sales support and service/parts/body shop. Two other sections are also worth noting. The first is the introduction which, among other features, contains highlights from "NADA Data," a summary of dealer performance in 1984 with exclusive facts and figures.

The other not-to-be-missed section is the index at the back of the issue. This index provides a comprehensive list of manufacturers and suppliers of automotive products and services.

Various sections are separated by color-coded tabs, which fold out to make finding the information you need that much easier.

Each section focuses on how dealers can better capitalize on profit potential in specific dealership departments. The sales support section, for example, looks at leasing, used cars and F&I management, and explores profit opportunities many dealers overlook. Included are "nifty ideas" drawn from dealers who participate in NADA 20 Groups.

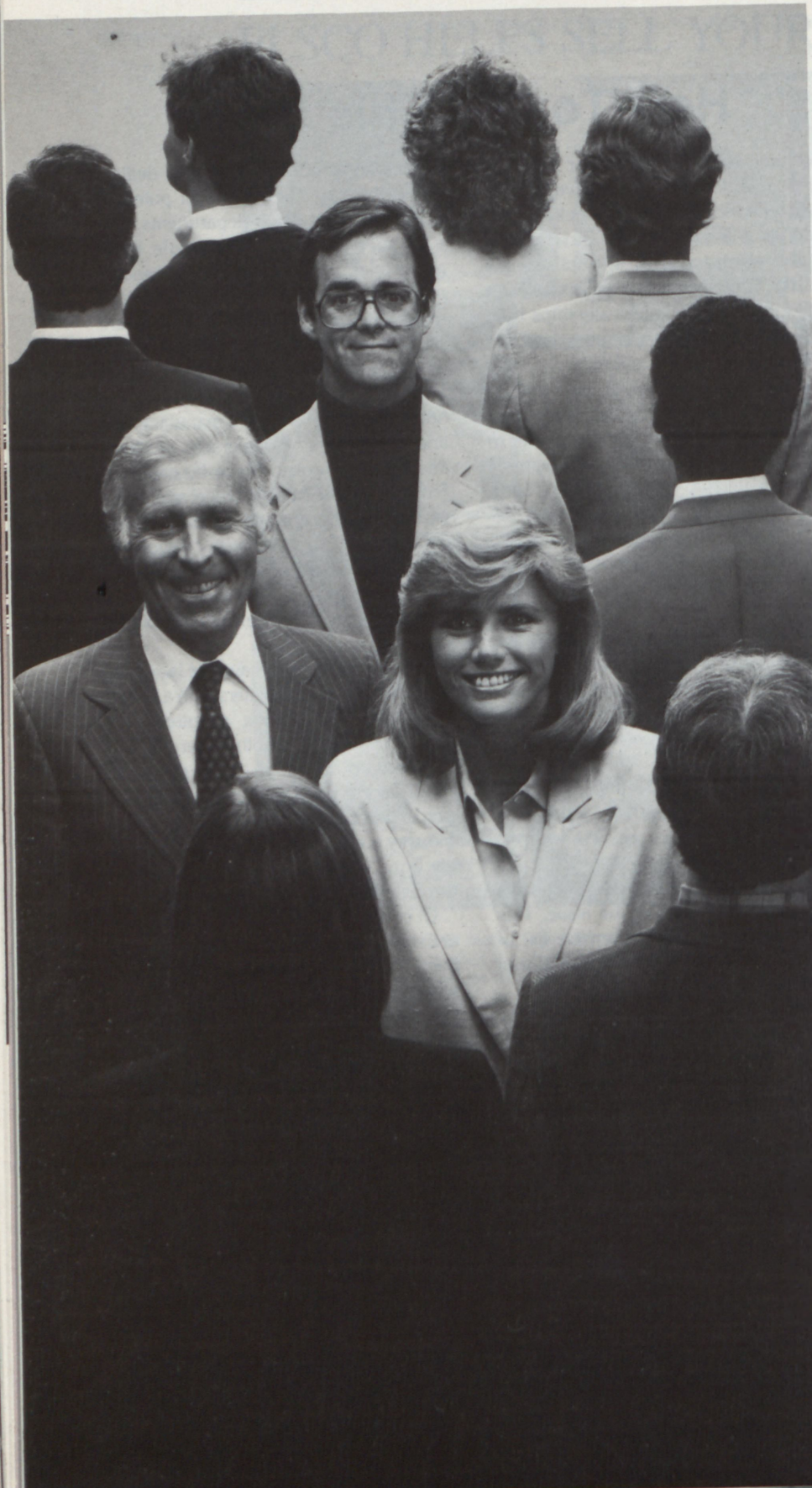
Near the end of each section are our buyer's guides, listings of manufacturers and distributors of dealership products and services broken down by category. From air conditioning to wheel alignment equipment, these guides point out leading suppliers in any given category by name. Cross-referenced in the index is a complete alphabetical listing of all the companies, with addresses and phone numbers.

These buyer's guides and the index are designed to provide dealers with a fingertip source for locating suppliers. We spent the better part of this year contacting firms to appear in these guides to ensure accuracy and up-to-date information. The upbeat level of activity in the industry is evidenced by the large number of firms interested in reaching you through the pages of this magazine.

Of course, as with any first effort, there are sure to be some companies that have been left out. Or some story angle you wish had been covered. Let us know what you think of this special issue. We welcome your ideas for improving its usefulness. After all, we're here to serve you.

Enjoy. ■

7 OUT OF 10 PROSPECTS WALK. HERE'S HOW YOU CAN TURN THEM AROUND.



What can you do about the walkers? Plenty. You can turn many of them into incremental profit.

Because that's what happens when you have General Electric Credit Auto Lease, Inc. (GECAL) Showroom Leasing working for you.

With GECAL Showroom Leasing, you get a comprehensive, aggressive program that can help stop those walkers in their tracks. And help you sell more cars loaded with options—at full sticker price.

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We work with your back office so documentation becomes routine. We provide a computer rundown each month, so you know what cars are coming off lease.

We back you with GECAL's consistent credit standards—standards you can rely on, so your sales people can close deals fast.

And we respond quickly with full payment for each deal. The day we get your paperwork is the day we send your check.

CALL GECAL TODAY

So stop looking at the backs of walkers. Start looking at the smiles of leasers. And start smiling yourself at more sales. Talk to your GECAL sales manager or call 800-243-2222 today.

LEASING
INVENTORY
FINANCING



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NADA DATA

This year, for the first time, *Automotive Executive* presents highlights from the 1985 edition of "NADA Data," an annual publication produced by NADA's Industry Analysis and Dealership Operations Group that examines dealer and industry performance. Presented on the following pages are detailed charts and figures on market penetration, departmental sales, credit trends, advertising mix, payroll and more. You'll find this special report offers valuable insight into past sales as well as future opportunities.

Throughout the report, one overriding trend emerges: dealerships are becoming increasingly large businesses. As a result, they have a growing impact on both local and national economies.

Since franchised dealers are major employers in their communities, it is a welcome sign that sales increases have led to a rebuilding of payrolls. In 1984, total dealership employment increased 7 percent to 779,800 persons. The average dealer in 1984 employed 32 persons and carried an annual payroll of \$623,000. The annual payroll of all franchised dealerships totalled \$15.4 billion and represented 10.3 percent of the total retail

trade payroll in the U.S.

After advancing 17 percent in 1983, total new-unit sales increased another 18 percent last year. Due to this continued recovery, total dollar sales of all franchised dealerships rose to a record \$230.6 billion, accounting for 17.8 percent of total U.S. retail sales. Service and parts sales, along with used-car sales, also increased.

The total economic impact of America's dealers goes far beyond sales and service, however. In order to successfully operate their businesses, dealers spend vast sums of money. In 1984, dealers had total expenditures (excluding cost of goods sold) of \$26.1 billion. Typical expenditures include advertising (\$2.2 billion), rent and equivalent (\$2.0 billion), floorplan interest (\$1.5 billion) and heat, light and power (\$0.7 billion).

In addition to being an important source of tax revenues, dealers and their employees also contribute much time and money to local charities and civic groups. In 1984, it is estimated that franchised dealers contributed more than \$75 million to such causes.

Given the tremendous impact dealers have on our economy, it is good news

that they remain optimistic about the future. For the past nine years, NADA's Industry Analysis Division has conducted a quarterly survey of dealers' profit expectations. This survey provides an accurate advance measurement of dealers' profit experience and serves as a barometer of national economic trends.

At the beginning of this year, NADA's Optimism Index stood at a level of 151—considerably less than the peak of 180 reached in January of 1984, but still high by historical standards. This latest reading indicates that dealers believe the motor vehicle industry's recovery will continue at a modest pace through 1985.

This report is aimed at providing a useful financial profile of America's franchised dealerships, as well as an assessment of their impact on the economy. If you'd like to order copies of the complete study (\$5.00 apiece), or need further information, please call NADA Industry Analysis at (703)821-7088. ■

Special thanks to NADA's Industry Analysis and Dealership Operations Group for providing the information used in this special report.

NADA OPTIMISM INDEX

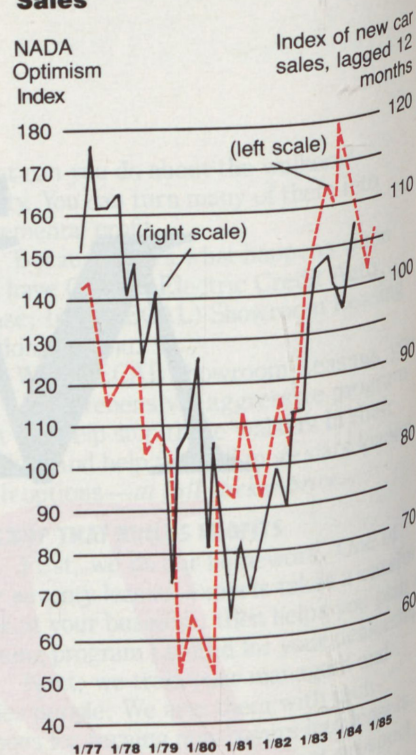
For the past 8½ years, NADA's Industry Analysis Division has conducted a quarterly survey of the profit expectations of new-car and truck dealers for the succeeding 12 months. The survey results have closely matched dealers' actual profit experience and also serve as a barometer of national economic trends.

At the beginning of 1985, the NADA Optimism Index stood at a level of 151—considerably less than its peak of 180 reached in January of last year, but still high by historical standards. This high level of optimism is very encouraging news because, as can be seen in the chart, dealers have been quite prescient with respect to turning points in the national economy and new-car sales.

Throughout 1981 and 1982, when

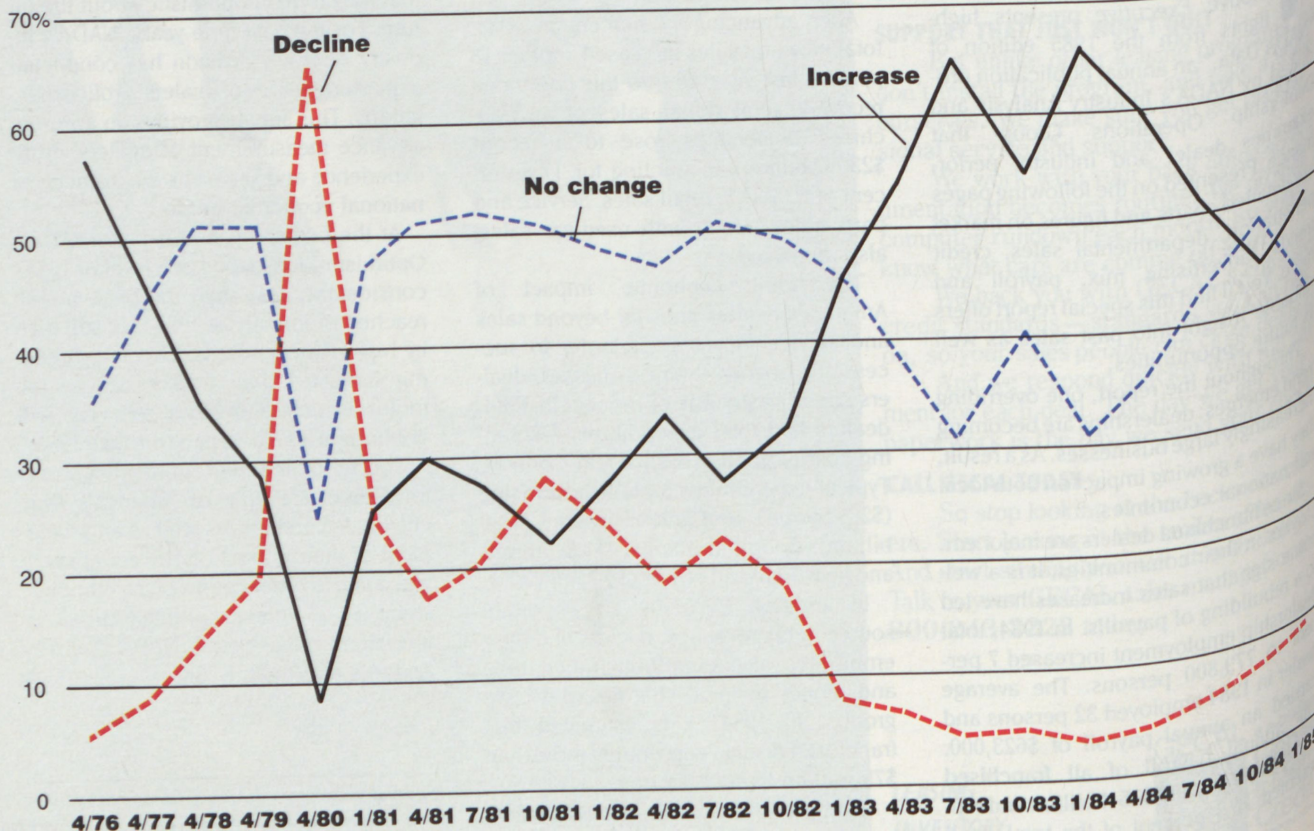
many industry analysts were constantly predicting an imminent turnaround in new-vehicles, dealers showed no significant increase in optimism. In retrospect it can be noted that the low level of dealer optimism was well-founded. The NADA Optimism Index began its most recent rise in early 1983 and subsequently new-car sales began to improve. The current high level of dealer optimism indicates that dealers believe the motor vehicle industry's recovery will continue at a modest pace throughout 1985.

Optimism Index vs. New Car Sales



Expectations for Dealership Profits

Percent of dealers expecting profits to:



Source: NADA Industry Analysis Division

The AutoArmor Winning Team.

AutoArmor salutes these 150 outstanding members of our Winning Team. For over 10 years, each of these car dealers has increased profits by offering ECP AutoArmor quality products: Paint, Fabric, and Rust Protection, Sound Shield, as well as our new Interior Protection Package. Together with our research, manufacturing, and marketing staffs, these dealers have made vital contributions to the AutoArmor Success Story. Join the Winning Team. Call AutoArmor president Larry Garman at 1-800-323-3521 (in Illinois 1-312-986-2400).



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Anderson Oldsmobile Baltimore, MD	Bill Dodge Olds/Saab Brunswick, ME	Howard Chevrolet W. Roxbury, MA	Muzi Ford City Needham, MA	Rick Starr Pont/Toyota/BMW/VW
Art & Gene's Chev/Olds/Cad Canton, IL	Downtown Motors Warren, OH	Jessman's Garage Lisbon, NH	H.J. Nassar Lawrence, MA	Sam Taylor Fort Walton, FL
A & S Motors Lincoln, ME	Dulany Lincoln Mercury Timonium, MD	Jones City Garage Cheboygan, MI	Neldner Ford Sales Lexington, IL	Tommy Thomas Panama City, FL
Atchley Ford Omaha, NEBR	Durand Chevrolet Hudson, MA	Leslie Kaskinen Chev Bellaire, MI	Newton Chry/Ply Newton, MA	Thompson Chev/Pont Houlton, ME
Autohaus Cohasset, MA	Du Teau Chevrolet Lincoln, NEBR	Roland Kelly Beverly, MA	Rosen Novak Omaha, NE	Timonium Toyota Cockeysville, MD
Barcomb Motor Sales Hardwick, VT	Elbery Motors Cambridge, MA	Key Ford Pensacola, FL	Nummerdor Bros. Waupun, WI	Towson Dodge Baltimore, MD
Bauer Ford Mercury Brookville, IN	Fairplay GMC Bloomfield, IN	King Chevrolet Exeter, NH	Old Colony Serv. Cnt Egawton, MA	Towson Ford Towson, MD
Pete Baur Pontiac Strongsville, OH	Foley Chrysler/Ply Quincy, MA	Klaben Dodge Kent, OH	Old Mill Toyota Omaha, NE	Ulrich Motor Co. Washburn, IL
Baxter Chry/Ply Omaha, NE	Gaylord Ford Gaylord, MI	Knapp Brothers Kingfield, ME	Oste Chevrolet Boston, MA	Valley Motor Sales Bethel, VT
Bean Chevrolet Co. Northfield, VT	Foreign Engine Everett, MA	Knight Cadillac Olds Plattsburg, NY	Patalano Ford Franklin, MA	Joe Van Horn Chevrolet Plymouth, WI
Dick Beard Chevrolet Hyannis, MA	Friedley Linc/Merc Cedar Falls, IA	Jim Koestner Plainville, MI	Paige Motors Amherst, MA	Wagar Motor Sales Gaylord, MI
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Boron GMAC Truck Canton, OH	Gratz Chevrolet/Olds Dowagiac, MI	Lisherness Pontiac Skowhegan, ME	Roberts Ford Sales Athal, MA	Weymouth Honda Weymouth, MA
Bournival Chry/Ply/Mazda Lowell, MA	Graytak Chev & Mazda New Castle, DE	Stan Lock Buick Kenosha, WI	Rossetter Ford Peoria, IL	Vince Whibbs Pensacola, FL
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Car Center Chry/Ply Baltimore, MD	Marv Hartwig Datsun Iowa City, IA	Don Meyer Ford Mercury Greensburg, IN	Schmauss Chev/Buick Forreston, IL	
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Cumberland Motor Sls Plattsburg, NY	Larry Herron Williamsport, PA	Modern Motors Fond Du Lac, WI	Shepard Motors Rockland, ME	
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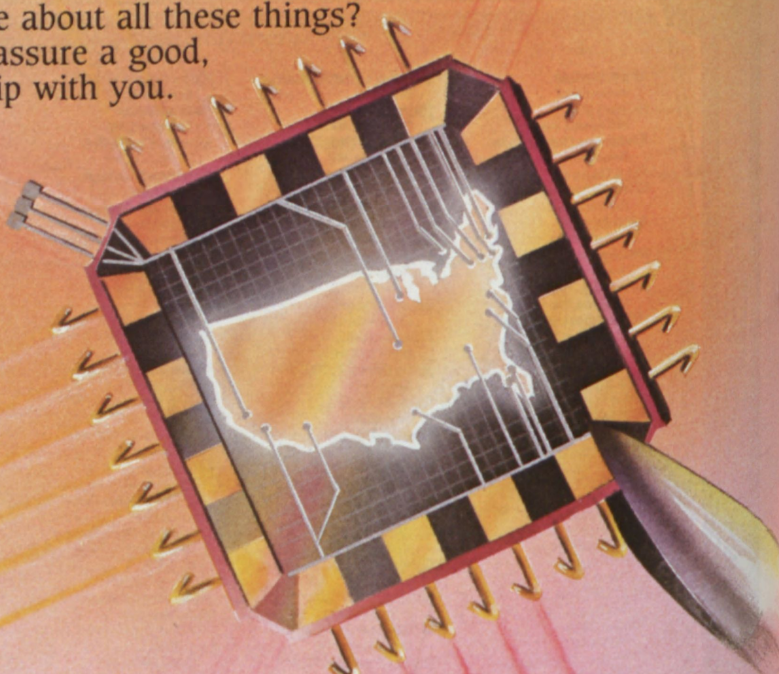
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We didn't invent the term. But, we practice it every day. Dealers, both large and small, use our 16 Auctions every week, because we offer the right vehicle mix for the buyer; we get good vehicle prices for the seller; we do the whole job at our full service facilities; we know what we're doing, through years of developing sound administrative practices, many of which we *did* invent.

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AVERAGE DEALER PROFILE

Total dollar sales for the average dealership increased sharply in 1984 to a new record. The new-vehicle department's share of total dealership sales continued to advance in 1984 due to the rise in unit sales of new cars and trucks. Although both the used-vehicle and the service and parts departments accounted for a smaller share of total dealership sales in 1984, both had dollar sales increases in excess of 14 percent.

In addition to having increases in dollar sales, all dealership departments also had increases in the actual unit volume of work performed. The average dealership had a 17-percent increase in new-unit sales. Used-unit sales increased 11 percent and the total number of repair orders performed by the

average dealership increased 7 percent.

In 1984, both gross and expense as a percent of sales declined for the fourth consecutive year. As shown below, the trend has been for dealerships to become increasingly larger businesses that operate on increasingly narrower margins.

Some representative major expenses for the average dealership in 1984 are as follows:

Total payroll	\$623,000
Advertising	88,500
Rent and equivalent	80,200
Floorplan interest	60,600

The sharp recovery in new-unit sales from the downturn of 1980-1982 has

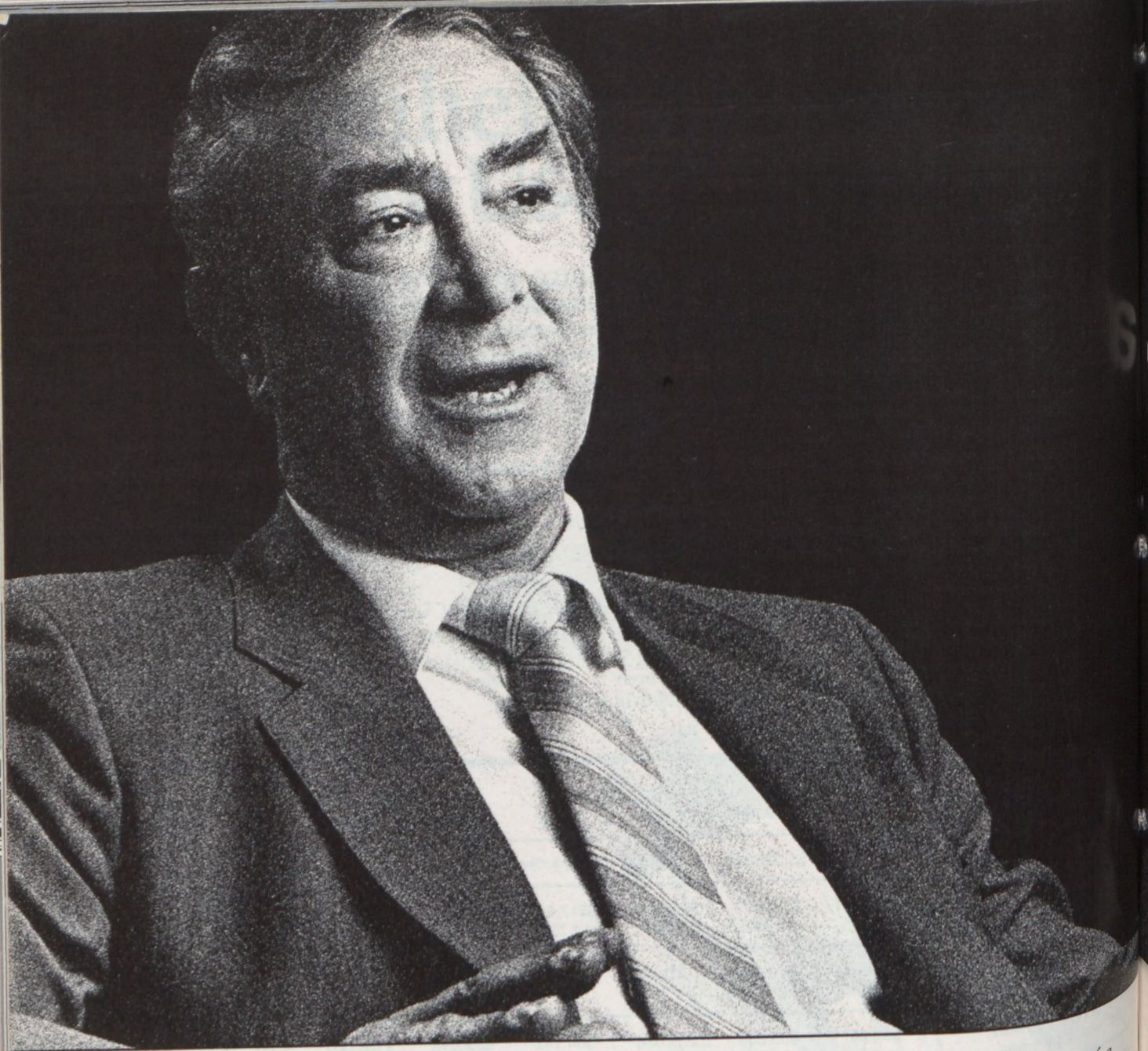
allowed dealership profitability to return to more normal levels. Net profit before tax as a percent of total sales was 2.18 percent in 1984. This was the highest profit margin recorded since 1973.

Dealership profitability as measured by return on investment has also shown tremendous gains, especially if one considers the cost of money. Deducting the average yield on one-year Treasury bills from the dealer's net profit before tax as a percent of net worth shows that in 1980 the average dealer had a negative return. In 1984, this measure of profitability reached its highest level ever.

Average Dealership Profile

	1978	1979	1980	1981	1982	1983	1984	% change 1983-84
Total dealership sales	\$4,717,718	\$5,005,359	\$4,760,000	\$5,529,484	\$6,139,848	\$7,710,594	\$9,319,939	20.87%
Total dealership gross As % of total sales	\$676,521 14.34%	\$725,277 14.49%	\$731,612 15.37%	\$817,811 14.79%	\$852,211 13.88%	\$1,058,665 13.73%	\$1,257,260 13.49%	18.76%
Total dealership expense As % of total sales	\$584,054 12.38%	\$662,209 13.23%	\$702,576 14.76%	\$753,669 13.63%	\$772,393 12.58%	\$893,658 11.59%	\$1,054,085 11.31%	17.95%
Net profit before taxes As % of total sales	\$92,467 1.96%	\$63,068 1.26%	\$29,036 0.61%	\$64,142 1.16%	\$79,818 1.30%	\$165,007 2.14%	\$203,175 2.18%	23.13%
(Net pre-tax profit in constant '67 dollars)	\$47,312	\$29,005	\$11,765	\$23,550	\$27,607	\$55,293	\$65,308	18.11%
New vehicle dept. sales As % of total sales	\$3,024,057 64.10%	\$3,178,403 63.50%	\$2,932,160 61.60%	\$3,378,515 61.10%	\$3,769,867 61.40%	\$4,888,517 63.40%	\$6,095,240 65.40%	24.68%
Used vehicle dept. sales As % of total sales	\$986,003 20.90%	\$1,016,088 20.30%	\$999,600 21.00%	\$1,266,252 22.90%	\$1,399,885 22.80%	\$1,734,884 22.50%	\$1,985,147 21.30%	14.43%
Service and parts sales As % of total sales	\$707,658 15.00%	\$810,868 16.20%	\$828,240 17.40%	\$884,717 16.00%	\$970,096 15.80%	\$1,087,194 14.10%	\$1,239,552 13.30%	14.01%
New vehicles average selling price	\$6,470	\$6,950	\$7,530	\$8,850	\$9,910	\$10,725	\$11,100	3.50%
Average net worth (As of 12/31)	\$353,123	\$397,566	\$378,981	\$385,330	\$421,693	\$556,722	\$568,983	2.20%
Net profit as % of net worth	26.19%	15.86%	7.66%	16.65%	18.93%	29.64%	35.71%	

Source: NADA Industry Analysis Division



"Go west, young man," the saying goes.

And Frank Coletto did.


Originally from Amityville, Long Island, he moved to California after a hitch in the Navy. Frank started selling cars in 1958 at a Ford dealership. Today he owns his own.

"My business is my life, and Ford is home. My goal," Mr. Coletto vows, "is to make Coletto Ford one of the most outstanding dealerships in the country." Frank will undoubtedly do just that, for he's a man who cares—about his customers, products and people. He recently started a Credit Union for his employees. And he offers Ford Extended Service Plan protection to every customer. Here's what this dedicated dealer says frankly about...

CUSTOMERS AND ESP: "Taking care of a customer's needs and building repeat business is the lifeblood of any company. If you're not a caring person, it will show in the people you have around you. They won't care either—and it will go through your whole organization like a cancer and destroy it. Most car dealers try to stay in business year in and year out by building a strong foundation of repeat and referral customers. This is what selling ESP has helped us do. Ford ESP keeps our customers happy—they realize we really want to take good care of them.

"We're out to achieve the highest possible level of customer satisfaction in every phase of our business. That's why we offer customers only quality products, parts and service con-

"Ford ESP gives me repeat and referral business lesser quality programs don't."



Frank P. Coletto

Frank Coletto
President and Owner
Frank Coletto Ford, Inc.
Harbor City, California

tracts. We always try to provide customers with the very best we can—like the Ford Extended Service Plan."

ESP QUALITY: "My people really took to the quality of this service program. We do a strong job selling ESP because we really believe in it. It's the very first thing we sell after a Ford—and more than 80% of our new car customers buy ESP. We sell it as an outstanding value, pointing out that repairs can happen no matter how good the car is—even Rolls-Royce has a service department."

"Of course, we train our sales managers, assistant sales managers, and F&I people to sell ESP. Of the many new ESP contracts they

sell, some 98% are ESP Plus.™ Our service manager would stand on his head if we switched from ESP. It's so simple to administer."

ESP ON FLEET VEHICLES: "A good customer just leased about 85 Fords from us. When I presented the purchase package, including ESP Plus, they stepped right up and bought it. They know their fleet transportation needs will be taken care of and I know we'll have a better shot at their return business. In my mind, we aren't doing the best for our customers if we don't sell them ESP."

Your customers deserve the benefits of Ford ESP, too. And so does your dealership. Just ask Frank Coletto, 1-213-325-9220.



Circle #25 on Reader Service Card

NUMBER OF FRANCHISED NEW CAR DEALERSHIPS

For the second consecutive year, the total franchised new-car dealership count remained unchanged. Unlike last year, however, the dealership count in each individual state also remained fairly stable. On January 1, 1985, there were an estimated 24,725 franchised new-car dealerships in operation—the same count as at the beginning of 1983.

A strong increase in new-vehicle sales coupled with a stable dealership population has, of course, resulted in a significant increase in size for most dealerships. Presented below are our current estimates as to the distribution of dealerships among four volume categories.

Annual New-Unit Sales Volume	Number of Dealerships
0-149	8,035
150-399	8,160
400-749	4,450
750 or more	4,080

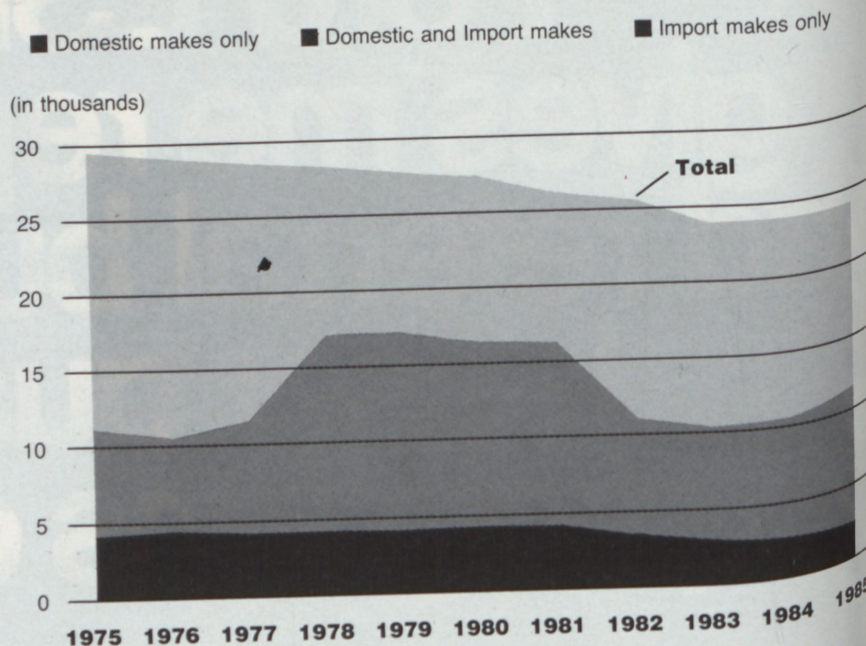
The following explicatory notes are needed to interpret the breakdown of dealerships by category.

■ The large increase in the category entitled "handling both domestic and import makes" that occurred in 1984 was a result of Chevrolet's introduction of two captive imports—the Sprint and the Spectrum. Of the 8,600 dealers in this category in 1984, approximately 2,050 represent Chevrolet dealers that are selling their manufacturer's captive import and another 3,975 represent Chrysler dealers handling their manufacturer's captive import. The remaining 2,575 dealers represent domestic dealers dualled with a non-captive import.

■ Starting in 1983, AMC-Renault dealerships have been classified as "handling domestic makes only." (Renault owns controlling interest in AMC, but Renault's largest sellers are built in the U.S.)

■ Starting in 1982, Volkswagen dealers have been classified as domestic dealers

Estimated Number of Franchised New Car Dealerships As of the beginning of the year



Source: NADA Industry Analysis Division

Estimated Number of Franchised New Car Dealerships By state as of January 1, 1985

Alabama.....	343	Montana.....	202
Alaska.....	28	Nebraska.....	325
Arizona.....	194	Nevada.....	75
Arkansas.....	350	New Hampshire.....	166
California.....	1,745	New Jersey.....	745
Colorado.....	283	New Mexico.....	150
Connecticut.....	367	New York.....	1,410
Delaware.....	70	North Carolina.....	698
D.C.....	9	North Dakota.....	199
Florida.....	780	Ohio.....	1,172
Georgia.....	596	Oklahoma.....	453
Hawaii.....	58	Oregon.....	312
Idaho.....	162	Pennsylvania.....	1,570
Illinois.....	1,278	Rhode Island.....	93
Indiana.....	630	South Carolina.....	315
Iowa.....	613	South Dakota.....	182
Kansas.....	440	Tennessee.....	450
Kentucky.....	370	Texas.....	1,530
Louisiana.....	378	Utah.....	153
Maine.....	198	Vermont.....	107
Maryland.....	362	Virginia.....	605
Massachusetts.....	585	Washington.....	385
Michigan.....	890	West Virginia.....	282
Minnesota.....	601	Wisconsin.....	770
Mississippi.....	310	Wyoming.....	101
Missouri.....	635	TOTAL U.S.	24,725

Source: NADA Industry Analysis Division

(the majority of Volkswagens sold in the U.S. are produced in the U.S.)

■ There is a growing trend for one dealer principal to operate, or have a financial interest in, more than one dealership. In such instances, each dealership has been counted once and placed in the category appropriate for the

make(s) it handles. (Recent NADA surveys indicate that 13 percent of all dealers have a financial interest in more than one dealership.)

■ Of the total 24,725 new-car dealerships, approximately two-thirds sell or have the right to sell their manufacturer's light-duty truck models.

TIME



Dealer's choice.

America's auto dealers know vehicles — and TIME is the vehicle they prefer for magazine advertising.

You would expect auto dealers to have strong opinions about the magazine that works best for auto advertising. And they do. Last year an independent survey of new-car dealers across the country found that more of them prefer to see their models advertised in TIME — by a three-to-one margin over the nearest competitor.

The study went further. It found that more dealers read and subscribe to TIME than any other magazine, including their auto-

motive trade magazines.

Conclusion? As businessmen, dealers appreciate TIME as an advertising tool; as readers, they trust its reputation for quality journalism.

Yes, auto dealers respect TIME. And the feeling is mutual. Each year TIME presents its prestigious Quality Dealer Award at the NADA convention. This commitment to enhancing the reputation of America's auto dealers, now in its 15th year, is another reason TIME is the dealer's choice.

Call Jeff Cornish, TIME's Domestic Automotive Category Manager at (313) 874-8207 to receive a booklet describing the dealer survey. He can also give you more reasons why TIME is the dealer's choice—and the manufacturer's choice—and the reader's choice.

TIME

Get more out of it.

Source: GPC Information System Survey.

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© 1984 Time Inc.

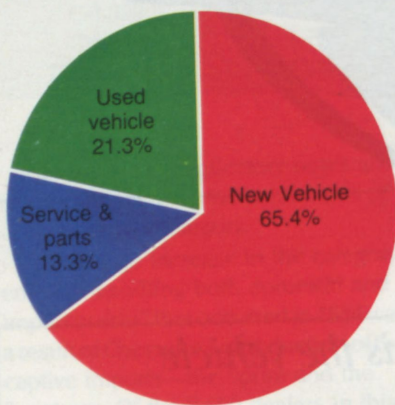
TOTAL DEALERSHIP SALES DOLLARS

The total dollar sales of all franchised new-car dealerships reached a record \$230.6 billion in 1984, up 21.5 percent from 1983. Although the dollar sales increase was led by the recovery in new-vehicle sales, the average dealer also had significant gains in both used-vehicle and service and parts sales.

The typical franchised dealership is increasingly becoming a large business. In 16 states and the District of Columbia, the average franchised dealership had sales in excess of \$10 million. In only six states were average sales in 1984 below \$5 million.

Share of Total Dealership Sales Dollars, 1984

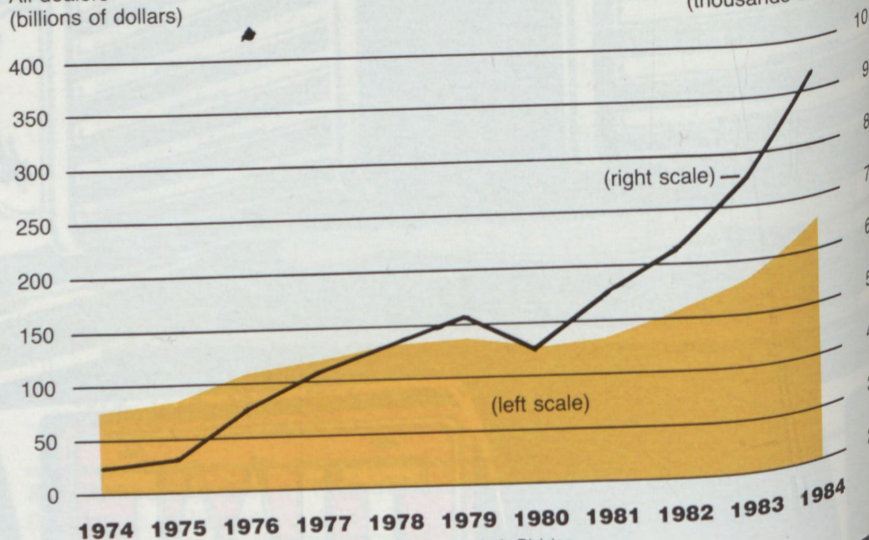
By department



Total Sales of Franchised New Car Dealers

All dealers
(billions of dollars)

Average per dealer
(thousands of dollars)



Source: U.S. Department of Commerce and NADA Industry Analysis Division

1984 Total Sales By State

State	All dealers (\$ millions)	Average per dealer (\$ thousands)	State	All dealers (\$ millions)	Average per dealer (\$ thousands)
Alabama.....	\$ 3,443	\$10,038	Montana	\$ 749	\$ 3,709
Alaska	473	16,888	Nebraska	1,438	4,423
Arizona.....	3,171	16,340	Nevada	1,089	14,523
Arkansas.....	1,965	5,615	New Hampshire	1,162	7,003
California.....	24,771	14,195	New Jersey	7,864	10,556
Colorado	3,674	12,983	New Mexico	1,269	8,457
Connecticut.....	3,385	9,223	New York	12,033	8,534
Delaware.....	684	9,771	North Carolina.....	5,901	8,454
D.C.....	118	13,160	North Dakota.....	857	4,308
Florida.....	14,330	18,372	Ohio.....	10,412	8,884
Georgia.....	6,591	11,059	Oklahoma.....	4,377	9,662
Hawaii.....	656	11,319	Oregon	2,608	8,360
Idaho.....	848	5,236	Pennsylvania.....	10,555	6,723
Illinois.....	10,964	8,579	Rhode Island	781	8,398
Indiana.....	5,204	8,260	South Carolina	2,828	8,978
Iowa.....	2,572	4,195	South Dakota	691	3,799
Kansas.....	2,486	5,651	Tennessee	4,688	10,418
Kentucky.....	2,728	7,374	Texas	18,012	11,772
Louisiana	3,917	10,364	Utah.....	1,309	8,556
Maine.....	1,076	5,436	Vermont.....	540	5,051
Maryland.....	4,888	13,503	Virginia	5,974	9,874
Massachusetts.....	5,943	10,159	Washington	3,389	8,803
Michigan.....	10,342	11,620	West Virginia.....	1,551	5,499
Minnesota	4,299	7,152	Wisconsin.....	4,515	5,864
Mississippi	1,862	6,008	Wyoming.....	496	4,910
Missouri.....	5,074	7,991	Total U.S.	230,552	9,320

TOTAL DEALERSHIP SALES DOLLARS

Relationship of Franchised New-Car Dealers to Total Retail Trade

	Number of dealers as % of total retail establishments in the state	Dealer sales as % of total retail sales in the state	Dealer payroll as % of total retail payroll in the state	Dealer employees as % of total retail employment in the state
Alabama	2.0%	18.8%	11.7%	5.4%
Alaska	1.6%	16.8%	7.1%	5.1%
Arizona	1.6%	20.7%	11.1%	5.2%
Arkansas	2.6%	18.3%	10.7%	5.1%
California	1.4%	15.9%	11.1%	4.6%
Colorado	1.9%	20.2%	11.9%	5.1%
Connecticut	2.3%	17.8%	10.1%	5.2%
Delaware	1.9%	19.8%	9.8%	0.9%
D.C.	0.4%	2.7%	3.4%	5.4%
Florida	1.4%	21.5%	11.1%	5.8%
Georgia	2.3%	21.7%	10.1%	2.9%
Hawaii	1.0%	10.7%	7.5%	5.8%
Idaho	3.0%	17.8%	13.0%	4.0%
Illinois	2.5%	18.4%	9.0%	4.2%
Indiana	2.4%	17.0%	10.4%	5.0%
Iowa	3.2%	15.8%	11.6%	5.4%
Kansas	3.0%	18.5%	12.2%	4.7%
Kentucky	2.3%	14.7%	10.3%	5.3%
Louisiana	2.0%	18.5%	12.4%	6.1%
Maine	3.1%	17.2%	11.1%	5.3%
Maryland	1.8%	18.6%	10.3%	4.3%
Massachusetts	2.1%	15.2%	8.5%	5.1%
Michigan	2.3%	22.0%	10.6%	4.2%
Minnesota	2.7%	17.0%	10.0%	5.7%
Mississippi	2.8%	16.8%	12.5%	4.7%
Missouri	2.5%	17.2%	10.3%	5.8%
Montana	3.3%	16.6%	12.6%	4.7%
Nebraska	3.1%	15.8%	11.1%	4.8%
Nevada	1.7%	20.9%	12.3%	6.4%
New Hampshire	3.0%	19.6%	12.1%	4.4%
New Jersey	2.0%	17.5%	9.3%	5.5%
New Mexico	2.3%	19.4%	12.6%	3.6%
New York	1.7%	13.3%	7.2%	5.7%
North Carolina	2.4%	18.5%	10.8%	6.9%
North Dakota	3.9%	23.1%	15.4%	4.4%
Ohio	2.4%	18.7%	9.3%	6.4%
Oklahoma	2.9%	25.5%	11.9%	5.0%
Oregon	2.3%	15.7%	11.1%	5.0%
Pennsylvania	2.6%	17.6%	10.4%	3.9%
Rhode Island	1.9%	15.7%	7.8%	5.3%
South Carolina	2.3%	19.0%	10.6%	5.9%
South Dakota	3.6%	18.7%	13.3%	5.3%
Tennessee	2.2%	19.0%	11.3%	5.1%
Texas	1.9%	18.9%	11.0%	4.7%
Utah	2.5%	17.2%	11.0%	6.1%
Vermont	3.2%	18.6%	12.4%	6.3%
Virginia	2.4%	19.0%	12.2%	4.4%
Washington	2.1%	13.7%	9.8%	6.4%
West Virginia	3.3%	16.6%	12.9%	4.8%
Wisconsin	2.9%	19.6%	10.6%	5.9%
Wyoming	3.0%	16.7%	12.8%	
Total U.S.	2.1%	17.8%	10.3%	4.8%

Source: NADA Industry Analysis Division

**We wish to express our
thanks and appreciation
to our growing network
of quality new car dealers
for caring enough about
their customers to offer them
America's Number One
Used Car Choice:
The Detroit II Automobile.**

THE DETROIT II CORPORATION

**Orlando,
Florida**



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THE NEW VEHICLE DEPARTMENT

After rising 15 percent in 1983, new-car unit sales advanced another 13 percent in 1984. The two-year increase in sales is attributable to the economic recovery and the sharp rise in consumer confidence. It is generally believed that new-car sales will show only a modest increase in 1985.

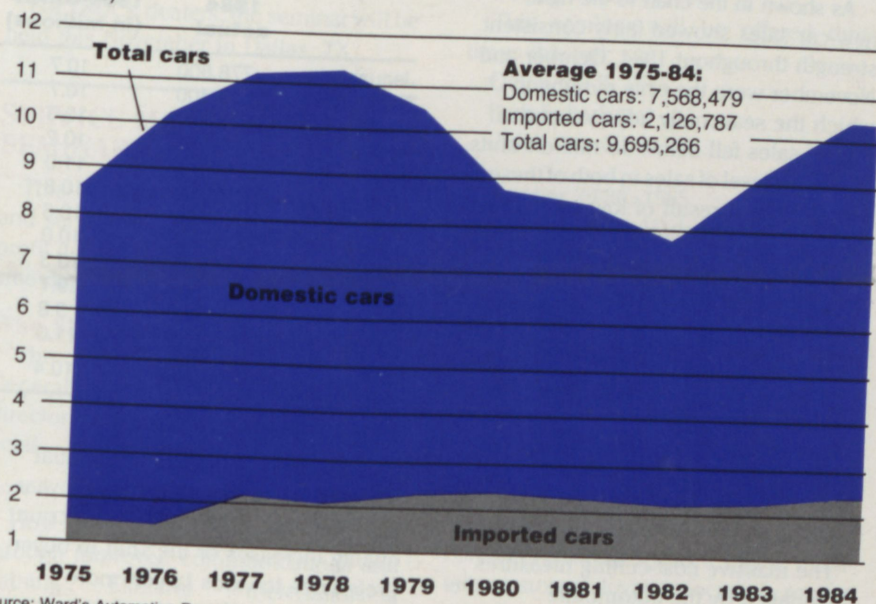
Domestic new-car sales rose 17 percent in 1984, while import sales, which continued to be restrained by Japanese voluntary export quotas, rose only 2 percent. As a result, the market share of imports fell to 23.5 percent, their lowest level since 1979 and not considerably higher than their average level of penetration over the past 10 years.

The table below shows that, on the domestic side, both Chrysler and Ford showed significant increases in market penetration. The only other manufacturer to increase its market penetration was Honda. Not unrelated, Honda was the only Japanese

New Passenger Car Sales

Annual totals

(in millions)



Source: Ward's Automotive Reports

Market Penetration

Share of total U.S. new-car sales

Year	AMC	Chrysler	Ford	General Motors	Volkswagen	Nissan	Honda	Toyota	Other imports	Total
1975	322,272 3.73%	997,116 11.55%	1,983,723 22.98%	3,747,009 43.40%	267,730 3.10%	259,842 3.01%	102,389 1.19%	287,103 3.33%	665,768 7.71%	8,632,952
1976	247,640 2.45%	1,301,940 12.88	2,256,277 22.33%	4,800,716 47.50%	201,760 2.00%	270,103 2.67%	150,929 1.49%	346,900 3.43%	529,485 5.24%	10,105,750
1977	184,361 1.65%	1,219,752 10.91%	2,552,210 22.83%	5,148,131 46.05%	262,932 2.35%	388,383 3.47%	223,633 2.00%	493,048 4.41%	706,394 6.32%	11,178,844
1978	170,739 1.51%	1,146,258 10.13%	2,582,702 22.83%	5,385,282 47.61	242,241 2.14%	339,364 3.00%	274,876 2.43%	441,800 3.91%	727,149 6.43%	11,310,411
1979	162,057 1.52%	942,205 8.84%	2,140,368 20.08%	4,917,911 46.13%	295,293 2.77%	472,252 4.43%	353,291 3.31%	507,816 4.76%	869,158 8.15%	10,660,351
1980	149,438 1.66%	660,017 7.35%	1,475,231 16.43%	4,116,482 45.85%	269,466 3.00%	516,890 5.76%	375,388 4.18%	582,195 6.48%	833,477 9.28%	8,978,584
1981	136,682 1.60%	729,873 8.55%	1,380,600 16.18%	3,796,696 44.49%	244,910 2.87%	464,806 5.45%	370,705 4.34%	576,491 6.76%	832,372 9.75%	8,533,135
1982	112,433 1.41%	691,703 8.67%	1,345,698 16.86%	3,515,660 44.06%	159,529 2.00%	470,246 5.89%	365,865 4.58%	530,246 6.64%	788,365 9.88%	7,979,745
1983	193,351 2.11%	841,622 9.17%	1,571,321 17.11%	4,053,561 44.15%	162,065 1.77%	521,902 5.68%	401,072 4.37%	555,766 6.05%	881,386 9.60%	9,182,071
1984	190,255 1.83%	986,998 9.50%	1,979,317 19.05%	4,587,508 44.15%	177,332 1.71%	485,298 4.67%	508,420 4.89%	557,979 5.37%	917,708 8.83%	10,390,815
Average 1975-1984	186,923 1.93%	951,748 9.82%	1,926,745 19.87%	4,406,896 45.45%	228,328 2.36%	418,909 4.32%	312,657 3.22%	487,934 5.03%	775,126 7.99%	9,695,266

Source: Ward's Automotive Reports

THE NEW VEHICLE DEPARTMENT

manufacturer that, at the time, had significant car production capabilities in the U.S.

As shown in the chart to the right, new-car sales showed fairly consistent strength throughout 1984. October and November were the only months in which the seasonally adjusted annual rate of sales fell below 10 million units. The lower level of sales in both of these months was a result of low inventories caused by the strike at General Motors and other start-up problems that occurred at new-model introduction.

The strong rise in new-car sales in both 1983 and 1984, coupled with the dealership attrition of past years, has resulted in a tremendous increase in the average number of new cars sold per dealer. In 1984, the average dealership sold 420 new cars—the highest level of sales ever.

The massive cost-cutting measures undertaken by the automobile manufacturers during the past several years have allowed them to keep recent price increases very modest. In 1984, the average new-vehicle selling price rose only 3.5 percent. The selling price figures

Average Number of New Cars Sold Per Dealer and Average Selling Price Per Vehicle

Year	New cars sold	Average vehicle selling price
1974	300	\$ 4,390
1975	295	4,750
1976	346	5,470
1977	385	6,120
1978	391	6,470
1979	373	6,950
1980	327	7,530
1981	326	8,850
1982	316	9,910
1983	373	10,725
1984	420	11,100

Source: NADA Industry Analysis Division

New Car Sales by Month Seasonally Adjusted Annual Rate

	1984 actual	1984 SAAR* (in millions)	1983 actual	1983 SAAR* (in millions)	% change 1983-1984
January	778,800	10.7	595,900	8.3	30.7%
February	841,400	10.7	627,700	8.2	34.0%
March	963,900	10.0	821,500	8.3	17.3%
April	895,600	10.2	764,200	8.8	17.2%
May	1,047,200	11.0	837,200	9.1	25.1%
June	952,500	10.8	904,000	9.8	5.4%
July	889,800	10.6	791,600	9.7	12.4%
August	814,900	10.0	740,700	9.0	10.0%
September	743,500	10.3	704,800	9.0	5.5%
October	901,500	9.7	860,800	9.9	4.7%
November	802,400	9.8	781,800	9.6	2.6%
December	759,300	11.0	751,900	10.6	1.0%
Full year	10,390,800	10.4	9,182,100	9.2	13.2%

*Seasonally Adjusted Annual Rate

below represent averages for actual transactions during the calendar year and, therefore, do not take into account quality increases or the shift in buyer preference towards larger, more expensive cars. If these two factors were considered, the recent price increases would be substantially less.

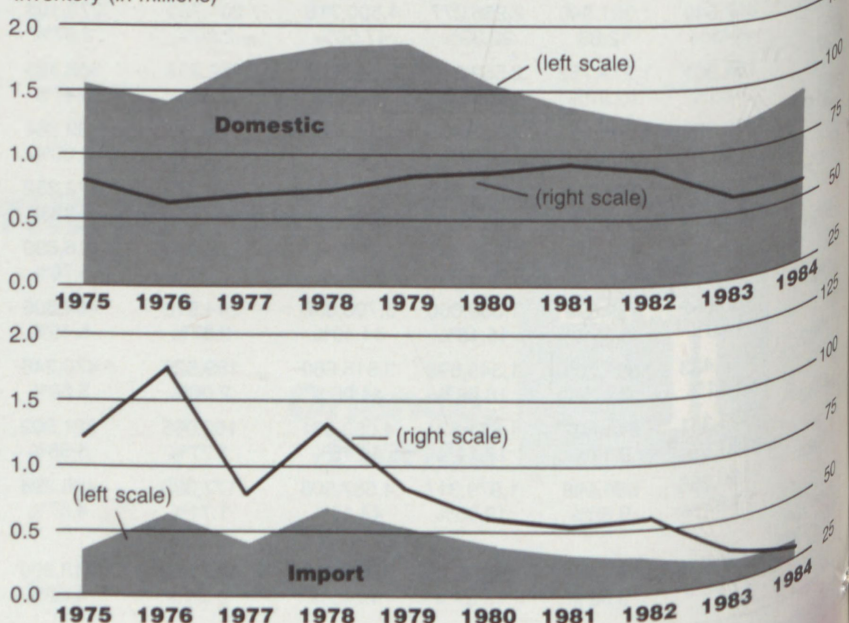
The chart at the bottom right shows that, although the average number of

new domestic cars in dealer inventories rose significantly in 1984, the average days' supply remained constant because of the increased rate of sales. Due to Japanese export restraints, import inventories have been very small in recent years. Import new car sales in 1984 were 22 percent greater than in 1978, but average import inventory levels were 64 percent smaller.

New Car Inventories & Days Supplies

Yearly average

Inventory (in millions)



Source: Ward's Automotive Reports

Education Corner



SEMINARS

BUSINESS MANAGEMENT SEMINAR

This seminar teaches dealers and managers to utilize the financial statement as a valuable management tool.

Who Should Attend

The dealer and the business manager. Other department managers who are required to analyze their portion of the statement and set financial goals.

You'll Learn

What key ratios the dealer should analyze monthly to make good short-term and long-term management decisions... How to determine the true worth of your business... How to set performance goals based on the strengths of your product and market area... How to compensate different types of dealership employees for maximum productivity... How to pinpoint specific problem areas in your dealership and ways of correcting the problems.

Instructional Method

Robert P. Currie, president of R. P. Currie and Company, Inc., is the seminar instructor. Currie's firm specializes in dealer and distributor management. He will be assisted by a management consultant from the NADA 20 Group Program. Currie will use a combination of lecture, case studies and exercises using your own financial statement. An individual consultation with both instructors can be arranged in the evening.

Price

For CAR dealers, \$499 pays for both the dealer and one manager. Included in the fee are seminar materials and dinner on the evening of Day One.

For TRUCK dealers, \$199 is the per participant fee. Included in the fee are seminar materials and lunch on Day Two.

Continuing Education Credit

1 CEU

Dates and Locations

For CAR dealers the seminar will be held on September 17-18, 1985, at the Sheraton Music City, in Nashville, TN.

For TRUCK dealers, the seminar will be held this November in Dallas, TX.

SERVICE MANAGEMENT SEMINAR

This seminar heightens the dealer's and service manager's awareness of the profit dollars that are available in the service department.

Who Should Attend

The dealer and the service manager. General managers and service and parts directors will also find the seminar beneficial.

You'll Learn

How to improve customer satisfaction through improved communications and training... Effective merchandising techniques... How to detect profit leaks in your service department... How to track and improve technician productivity... How to forecast accurately... How to compensate and motivate service employees.

Instructional Method

Prior to attending the seminar, your financial statement will be analyzed by an NADA professional. The results of the analysis will be returned to you, confidentially, during the seminar. Thomas B. Ehlers, director of the NADA 20 Group Program, Robert M. Frawley, director of the NADA Marketing Division, and Jack O'Neill, manager of NADA Service Systems will combine lecture with hands-on exercises and group interaction. A service writer training film will be introduced on Day Two of the seminar. Individual consultations with one of the three instructors are available on the evening of Day One.

Price

\$499 pays for the dealer and one manager. Included in the fee are seminar materials and dinner on the evening of Day One.

Continuing Education Credit

1 CEU

Dates and Locations

This seminar will be offered three times this fall:

October 8-9, 1985

Park Suite Hotel
Oklahoma City, OK

October 29-30, 1985
Sheraton Inner Harbor
Baltimore, MD

December 11-12, 1985
Holiday Inn Embarcadero
San Diego, CA

SELLING CONTRACT MAINTENANCE SEMINAR

This seminar is designed to explain contract maintenance as a way to maintain customer loyalty, increase service profits, and compete with the aggressive lessors.

Who Should Attend

The truck dealer and the service manager.

You'll Learn

How to market contracts effectively... How to identify prospects... The basics of rate construction... How to administer contracts... Which documents are essential to operation control.

Instructional Method

David S. Paxson, director of the American Truck Dealers, will join with a private consultant and a successful dealer to present this seminar. Each panelist will share their research and experience, augmented by group interaction and idea-sharing.

Price

\$199 per participant.

Continuing Education Credit

1 CEU

Date and Location

This seminar will be offered for truck dealers on October 23-24, 1985, at the Stouffer Dublin Hotel, Columbus, OH.

Registration Information Call 800-252-NADA. In Virginia, call 703-821-7227.

Circle #36 on Reader Service Card

THE USED VEHICLE DEPARTMENT

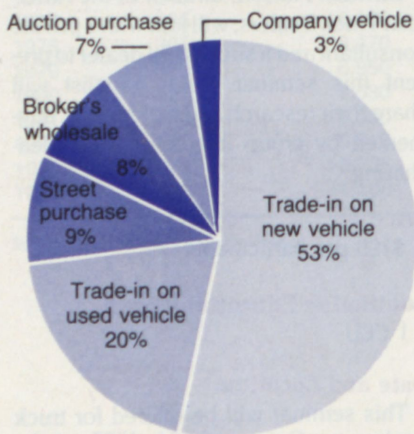
In 1984, the used-vehicle department accounted for over 21 percent of the average dealership's total sales volume. The number of used units retailed by franchised new-car dealers in 1984 rose 11 percent to 9.4 million units—the highest level since 1978. Due to the continued strong demand (and relatively low supply) of high-quality used cars, the average selling price of used units retailed by franchised new-car dealers has not moderated as much as new-vehicle prices.

NADA surveys show the following distribution of used units retailed by model year for franchised dealers in 1984:

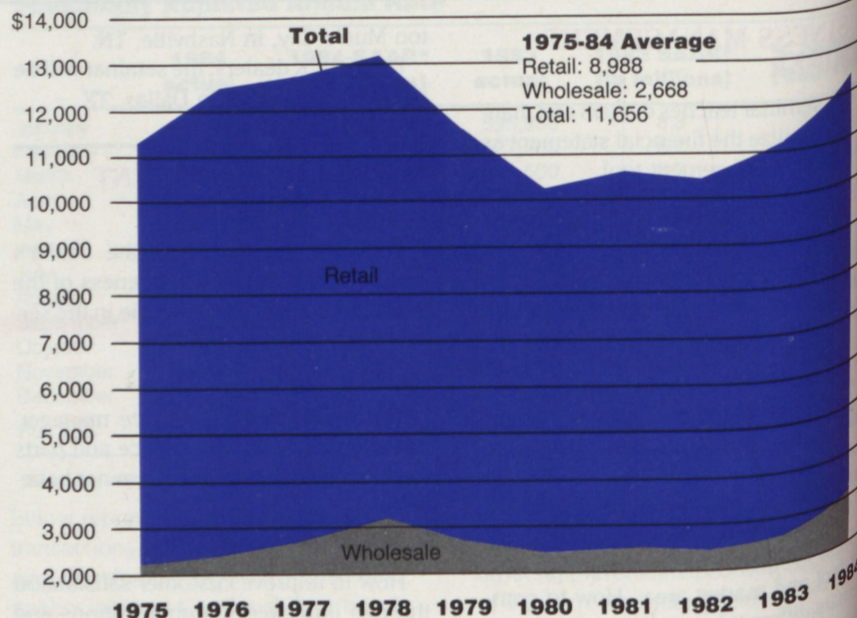
Model Year	Percentage of Total Sales
1984	5.4%
1983	11.3%
1982	14.8%
1981	14.9%
1980	12.4%
1979	12.3%
1979 and prior	28.9%

Franchised dealers obtain used vehicles from six major sources. NADA surveys indicate that the sources of used cars retailed by franchised dealers during 1984 were as follows:

Source of Used Cars Retailed by Franchised Dealers, 1984

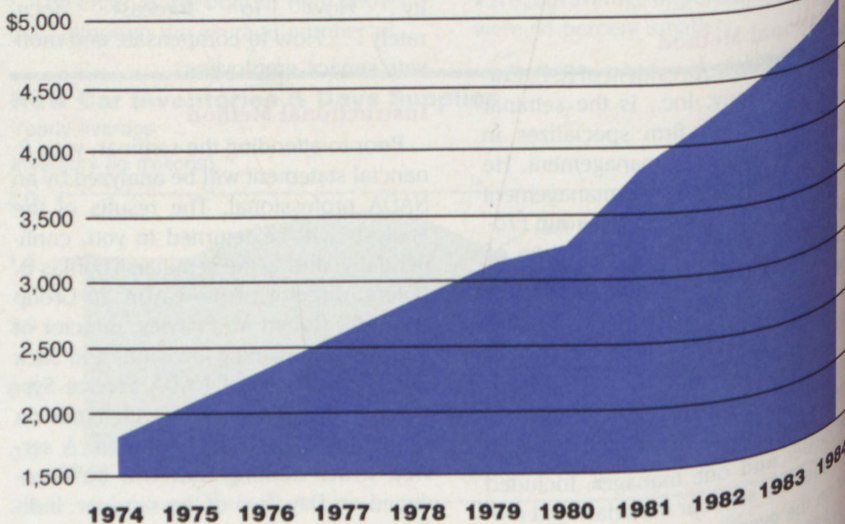


Used Vehicle Sales by Franchised New Car Dealers



Source: NADA Industry Analysis Division

Average Selling Price of Used Cars Retailed by Franchised New Car Dealerships



Here's one corner we think you should cut.

If you're a franchised car or
truck dealer, cut this cor-
ner to increase your
profits.

**Problem Solvers
NADA**

Dealer Name _____

Dealership Name _____

Franchises _____

Street Address _____

City _____

Telephone _____

Signature _____

State _____

Zip _____

National Automobile Dealers Association
8400 Westpark Drive, McLean, Virginia 22102
(800) 252-NADA
In Virginia (703) 448-5892



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☐ Sales Trak ☐ Dealer Candidate Academy ☐ Convention & Exposition ☐ Estate Planning
☐ American Truck Dealers ☐ Retirement Trust ☐ Insurance Trust
Circle #43 on Reader Service Card

THE SERVICE AND PARTS DEPARTMENTS

In 1984, the total service and parts market accounted for almost \$95 billion in sales. An estimated \$33 billion was spent on service labor, \$46 billion on parts and accessories, and \$16 billion on tires.

The chart at the bottom right is a breakdown of service and parts sales by type of outlet for 1979 through 1984. Franchised new-car dealerships accounted for 32 percent of total service and parts in 1984, even though they accounted for only 8 percent of all auto repair facilities. This disproportionate market share reflects the propensity of dealers to do more difficult repairs, as well as the fact that new-car dealerships have larger facilities on average.

The average dealer in 1984 had a 6-percent increase in dollar sales per repair order and a 7-percent increase in the number of repair orders performed. As shown in the tables at the right, warranty work exhibited the greatest increase in dollar sales. The recovery in new-vehicle sales over the past two years has meant that vehicles still covered by warranty make up a greater percentage of all vehicles in operation.

Number of Auto Repair Facilities, 1984

Franchised new-car dealerships	24,725
Auto repair shops	183,000
TBA dealers	19,000
Service stations	69,000
Mass merchandisers	2,000
All other	1,400

Total 299,125

Includes independent and franchised repair shops.

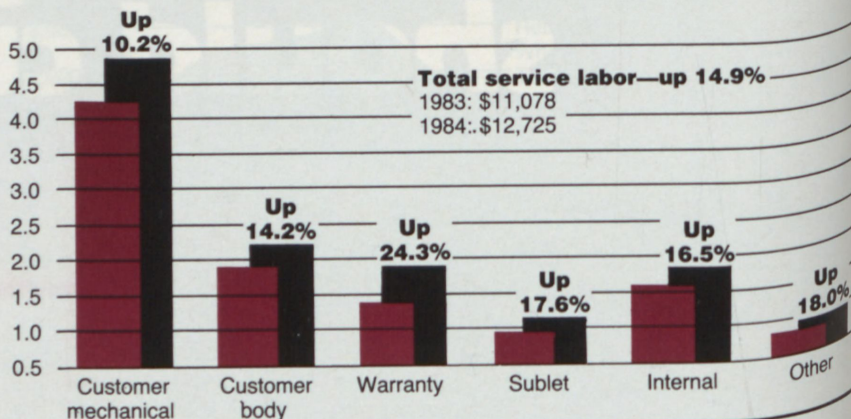
Includes only those outlets that perform "significant" repair work (i.e. those establishments that perform work beyond simple oil changes or lube jobs and/or those establishments that receive at least 2% of total dollar revenue from service labor).

Source: NADA Industry Analysis Division

Franchised New Car Dealer Service and Parts

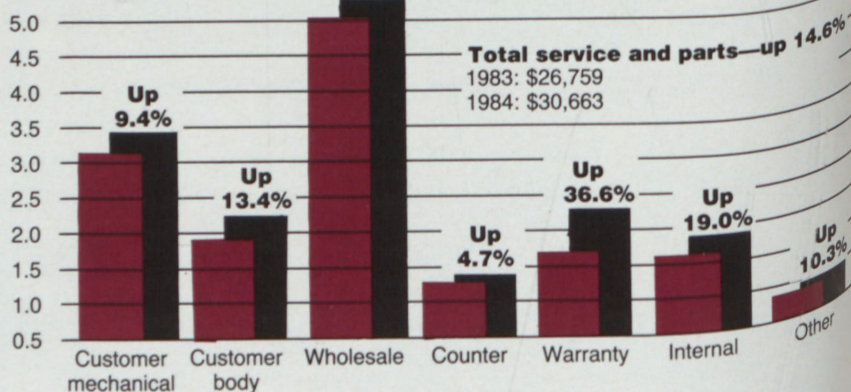
Service labor sales (in millions)

■ 1983 ■ 1984



Part sales (in millions)

■ 1983 ■ 1984



Source: NADA Industry Analysis Division

Total Service and Parts Market Billions of dollars

	1979	1980	1981	1982	1983	1984
Franchised new-car dealerships	\$23.1	\$22.7	\$23.1	\$24.5	\$26.8	\$30.7
Auto repair shops*	17.7	18.8	19.9	21.0	23.1	25.6
Tire, battery and accessory dealers	13.3	14.7	16.1	17.0	18.7	20.5
Gasoline service stations	5.8	6.3	6.6	6.8	7.5	7.9
Mass merchandisers	6.0	6.2	6.8	7.0	7.6	7.9
All others**	1.8	1.8	1.9	2.0	2.0	2.1
Total	67.7	70.5	74.4	78.3	85.7	94.7

*includes independent and franchised repair shops.

**includes non-franchised dealers, farm equipment dealers and fleet shops.

Note: Revenue for each type of repair facility includes tire sales.

Source: NADA Industry Analysis Division and U.S. Bureau of Census.

EMPLOYMENT AND PAYROLLS

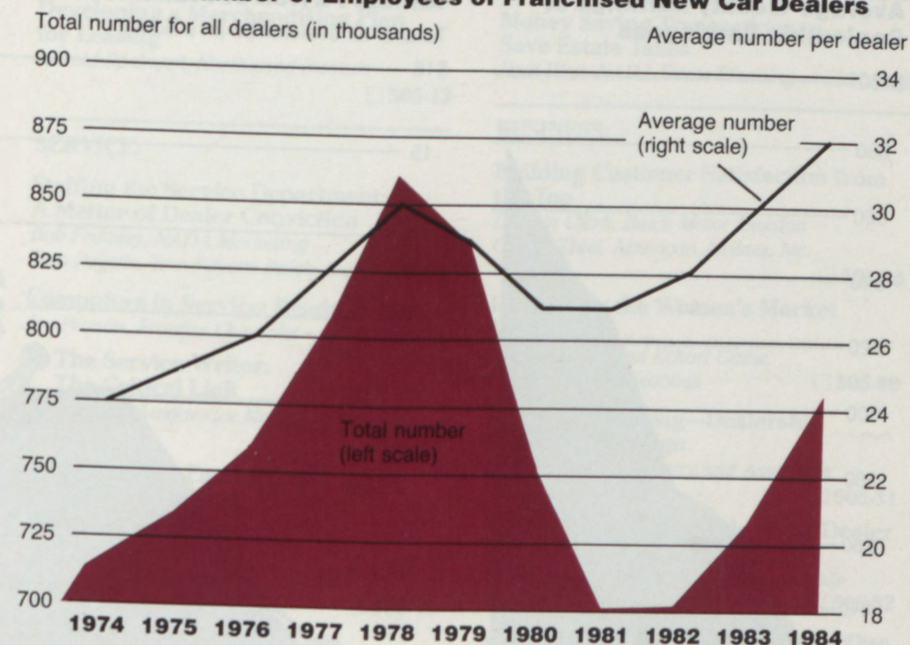
Dealerships are often one of the major employers in their local communities. Therefore, it was a welcome sign when dealers began to rebuild their payrolls after four years of consecutive decline. The total number of persons employed by dealerships increased 3.5 percent in 1983 and then increased another 6.8 percent in 1984. Nevertheless, total dealership employment is still 9.5 percent below the peak level reached in 1978.

The number and type of employees varies significantly among dealerships depending upon dealership characteristics such as size, location, primary make and the distribution of sales among departments. It is estimated, however, that the total employment count of all dealerships in 1984 was distributed as follows:

New and used salespersons.....	170,000
Mechanics.....	198,800
Service and parts workers (other than mechanics).....	200,000
Supervisors, general office workers, and others.....	211,000
Total.....	779,800

The average dealer in 1984 employed 32 persons and had an annual payroll of \$623,000. The annual payroll of all dealerships totaled \$15.4 billion and represented 10.3 percent of the total retail trade payroll in the nation.

Estimated Number of Employees of Franchised New Car Dealers



Source: NADA Industry Analysis Division

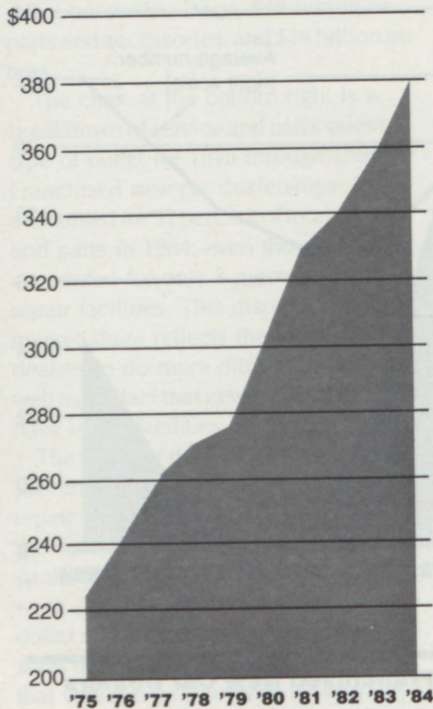
Estimated Number of Employees of Franchised New Car Dealers 1984 averages by state

	Total number all dealers	Average number per dealer		Total number all dealers	Average number per dealer
Alabama.....	11,788	34	Montana.....	3,177	16
Alaska.....	1,181	42	Nebraska.....	5,615	17
Arizona.....	11,323	58	Nevada.....	3,555	47
Arkansas.....	6,229	18	New Hampshire..	4,324	26
California.....	83,286	48	New Jersey.....	22,867	31
Colorado.....	12,917	46	New Mexico.....	4,721	31
Connecticut.....	11,948	33	New York.....	38,389	27
Delaware.....	2,405	34	North Carolina...	21,149	30
D.C.....	537	60	North Dakota.....	3,325	17
Florida.....	42,866	55	Ohio.....	36,529	31
Georgia.....	21,382	36	Oklahoma.....	12,973	29
Hawaii.....	2,715	47	Oregon.....	10,372	33
Idaho.....	3,490	22	Pennsylvania.....	39,195	25
Illinois.....	33,210	26	Rhode Island.....	2,688	29
Indiana.....	17,294	27	South Carolina....	10,351	33
Iowa.....	10,157	17	South Dakota.....	2,898	16
Kansas.....	9,173	21	Tennessee.....	15,841	35
Kentucky.....	10,147	27	Texas.....	54,424	36
Louisiana.....	14,133	37	Utah.....	4,603	30
Maine.....	4,233	21	Vermont.....	2,166	20
Maryland.....	17,632	49	Virginia.....	23,598	39
Massachusetts....	20,334	35	Washington.....	12,887	33
Michigan.....	31,454	35	West Virginia.....	6,644	24
Minnesota.....	14,587	24	Wisconsin.....	16,970	22
Mississippi.....	7,170	23	Wyoming.....	2,098	21
Missouri.....	16,850	27	Total U.S.	779,800	32

Source: NADA Industry Analysis Division

EMPLOYMENT AND PAYROLLS

Average Weekly Earnings of Dealership Employees

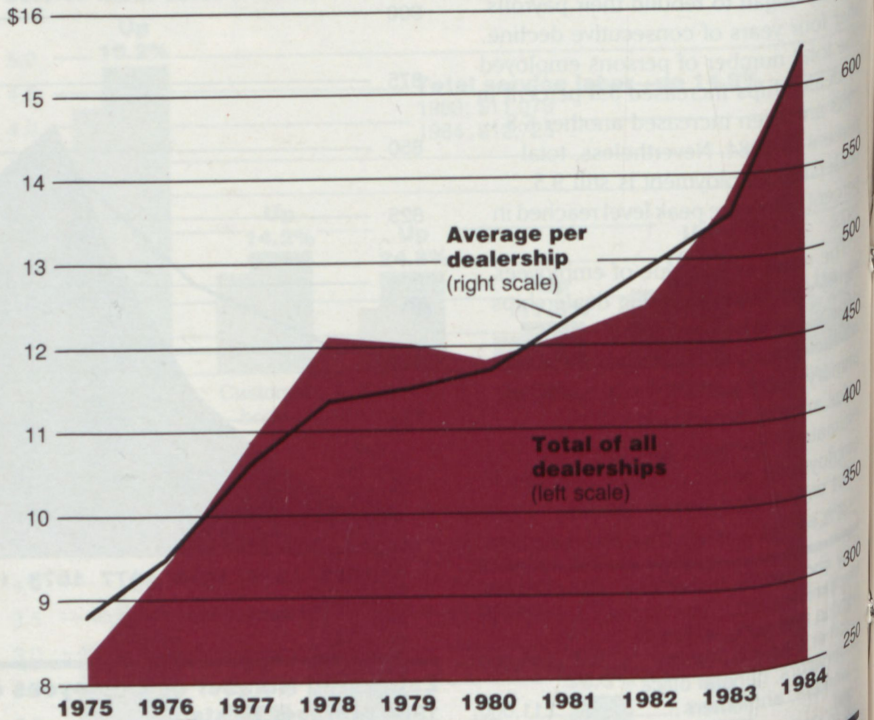


Source: NADA Industry Analysis Division

Annual Payroll of Franchised New Car Dealerships

Total of all dealerships (in billions)

Average per dealership (in thousands)



Source: NADA Industry Analysis Division

Average Weekly Earnings of Franchised New-Car Dealer Employees in 1984

Alabama.....	337	Montana.....	326
Alaska.....	571	Nebraska.....	324
Arizona.....	399	Nevada.....	464
Arkansas.....	317	New Hampshire.....	350
California.....	447	New Jersey.....	416
Colorado.....	410	New Mexico.....	346
Connecticut.....	383	New York.....	382
Delaware.....	360	North Carolina.....	339
D.C.....	422	North Dakota.....	350
Florida.....	402	Ohio.....	358
Georgia.....	377	Oklahoma.....	384
Hawaii.....	363	Oregon.....	358
Idaho.....	331	Pennsylvania.....	342
Illinois.....	403	Rhode Island.....	344
Indiana.....	341	South Carolina.....	323
Iowa.....	323	South Dakota.....	313
Kansas.....	345	Tennessee.....	347
Kentucky.....	321	Texas.....	410
Louisiana.....	366	Utah.....	361
Maine.....	320	Vermont.....	327
Maryland.....	394	Virginia.....	362
Massachusetts.....	369	Washington.....	404
Michigan.....	397	West Virginia.....	303
Minnesota.....	366	Wisconsin.....	353
Mississippi.....	317	Wyoming.....	346
Missouri.....	369	TOTAL U.S.	380

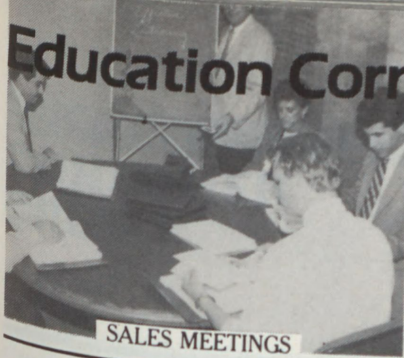
Source: NADA Industry Analysis Division

Annual Payroll of Franchised New-Car Dealerships 1984 year by state

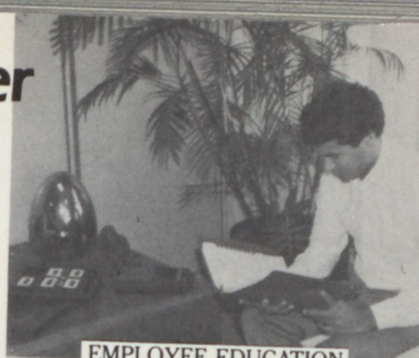
	Total of all dealerships (\$ Millions)	Average per dealership (\$ thousands)		Total of all dealerships (\$ Millions)	Average per dealership (\$ thousands)
Alabama.....	206	601	Montana.....	54	291
Alaska.....	35	1,252	Nebraska.....	95	1,144
Arizona.....	235	1,210	Nevada.....	86	474
Arkansas.....	103	294	New Hampshire.....	79	664
California.....	1,936	1,110	New Jersey.....	494	566
Colorado.....	275	973	New Mexico.....	85	541
Connecticut.....	238	648	New York.....	763	535
Delaware.....	45	644	North Carolina.....	373	305
D.C.....	12	1,311	North Dakota.....	61	580
Florida.....	897	1,150	Ohio.....	680	572
Georgia.....	420	704	Oklahoma.....	259	620
Hawaii.....	51	883	Oregon.....	193	443
Idaho.....	60	371	Pennsylvania.....	696	518
Illinois.....	695	544	Rhode Island.....	48	552
Indiana.....	307	487	South Carolina.....	174	260
Iowa.....	171	279	South Dakota.....	47	635
Kansas.....	164	374	Tennessee.....	286	759
Kentucky.....	169	458	Texas.....	1,162	564
Louisiana.....	269	711	Utah.....	86	344
Maine.....	70	356	Vermont.....	37	735
Maryland.....	362	999	Virginia.....	445	704
Massachusetts.....	391	668	Washington.....	271	372
Michigan.....	649	730	West Virginia.....	105	405
Minnesota.....	278	462	Wisconsin.....	312	374
Mississippi.....	118	382	Wyoming.....	38	623
Missouri.....	323	509	Total U.S.	15,408	

Source: NADA Industry Analysis Division

Education Corner



SALES MEETINGS



EMPLOYEE EDUCATION



DRIVING TO AND FROM WORK

TAPES

NADA Convention Workshop tapes are proving invaluable to dealers across the country. Of the more than 30,000 sold this year, the "BLUE RIBBON" tapes are the most requested and can be purchased for \$69.95 complete with handout materials. Individual tapes sell for \$11.00—package discounts are available. Handout material may also be ordered at the same time.

GENERAL SESSIONS:

H. Ross Perot
Chairman of the Board
Electronic Data Systems Corp. □ 505-1

Lou Holtz
Head Football Coach
University of Minnesota □ 505-2

SALES/LEASE:

The Telephone and Your Public Image
Lou Walls and Clarence Smith, A.T.&T. Communications □ 505-3

Building a Customer Base
Tom Ehlers, NADA 20 Groups
Ben Hofheimer, Town & Country Buick-Honda-Isuzu □ 505-4

Developing a Training Program for the Sales Department
Ernie "Tex" Prichard, Control, Inc. □ 505-5

Motivating Sales Personnel
Brad Kerfoot, Private Consultant □ 505-6

Used Car Reconditioning
Rick Murray, NADA 20 Groups
Ken Hilton, East Ford, Inc.
Gary Buch, McCafferty Ford Sales, Inc. □ 505-7

Used Car Merchandising
John Kasun, NADA 20 Groups
Jack Stanko, Herb Galles Chevrolet
Bud Greenwood, Greenwood Chevrolet Company □ 505-8

Used Car Rentals as Another Profit Opportunity
Don Buhler, Buhler & Bitter Chrysler Plymouth □ 505-9

Effective Advertising
Lee Reicheld, Reicheld Corporation □ 505-10

Purchase vs. Lease: Consumer Trends
Woody Miller, NADA Dealer Candidate Academy □ 505-11

F & I Management
Robert Howard, The Chase Manhattan Bank
Indirect Financial Services □ 505-11

F & I Management
Ray Esie, Automobile Dealer Service □ 505-12

Developing a Merchandising Plan for Leasing

Harold Rockwell, Northwood Institute

□ 505-13

SERVICE:

Staffing the Service Department: A Matter of Dealer Conviction

Bob Frawley, NADA Marketing
Tom Payette, Tom Payette Buick, Inc. □ 505-14

Computers in Service: Ready or Not?

Joe Francis, Frontier Chevrolet □ 505-15

The Service Writer: The Critical Link

Gene White, Automotive Management, Inc. □ 505-16

Service and Parts Ideas from NADA 20 Groups

Bill Gourley, NADA 20 Groups
Roy Smith, H.P. Smith Ford
Stewart Martens, Martens Datsun-BMW □ 505-17

The Body Shop: Profit or Loss

Bill Belew, Covington Buick □ 505-18

Parts Department Management

Jack O'Neill, NADA Service Systems
Wendell Dockum, Dockum Pontiac □ 505-19

Expanding Your Wholesale Parts Business

Jerry Richardson and R. Greg Witt,
Dub Richardson Ford; Bill Lake and
Charles McCann, Bill Lake Buick □ 505-20

Effective Communication in the Service Lane

Gerard Fisher and Joyce DeHaan,
Center for Organization Development, Inc. □ 505-21

DEALER/EMPLOYEE:

Commitment: A Two-Way Street

J. Mitchell Perry, Perry Presentations, Inc. □ 505-22

Identifying Alcohol and Drug Abuse Within the Work Place

Andrew Berner, National Council on
Alcoholism of Orange County □ 505-23

Time Management for the Busy Executive

John Lee, John Lee Companies □ 505-24

An Inside Look at the Family Business

Peter Davis, The Wharton School □ 505-25

Controlling Health Benefit Costs

Samuel H. Shriver, Jr., CMI Insurance
Specialists □ 505-26

The State of Your Estate

Grover Lewis, NADA Estate Planning □ 505-27

Money Saving Transactions to Save Estate Taxes

Paul West, NADA Estate Planning □ 505-28

BUSINESS:

Building Customer Satisfaction from the Top

Darwin Clark, Buick Motor Division
Gerald Thiel, American Airlines, Inc. □ 505-29

Identifying the Women's Market for Cars

Jack McClure and Eckart Guthe,
Conde Nast Publications □ 505-30

Facilities Planning—Dealership Layout and Design

Roger Berry, R. G. Berry and Associates □ 505-31

The Political Action Role of the Dealer

Senator Walter Huddleston, Kentucky
Dennis Jungmeyer, Arkansas Automobile
Dealers Assoc. □ 505-32

The Dealer of the Future, Session One

J. Ferron, NADA Industry Analysis &
Dealership Operations
Maryann Keller, Vilas-Fischer Associates, LTD
Martin L. Anderson, Sector Research □ 505-33

The Dealer of the Future, Session Two

Panel same as above, plus new questions and
answers. □ 505-34

Small Computer Options

Larry Dietz, The Alec Group □ 505-35

Effective Employee Relations

David Tudor, SESCO, Inc. □ 505-36

An Organized Approach to Dealership Valuation

Bob Currie, R.P. Currie & Co., Inc. □ 505-37

Legal Workshop: Used Car Rule and Tax Reform Act of 1984 Update

Walter Huizenga and Bob Wade, NADA
Legal and Regulatory Group □ 505-38

Managing Change

Larry Wilson, Wilson Learning Corp., □ 505-39

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Circle #37 on Reader Service Card

ADVERTISING/ FRANCHISED DEALERSHIP

In 1984, franchised new-car and truck dealers spent \$2.2 billion on advertising—an increase of 28 percent from 1983. Advertising expenditures as a percent of total sales reached 0.95 percent, its highest level ever.

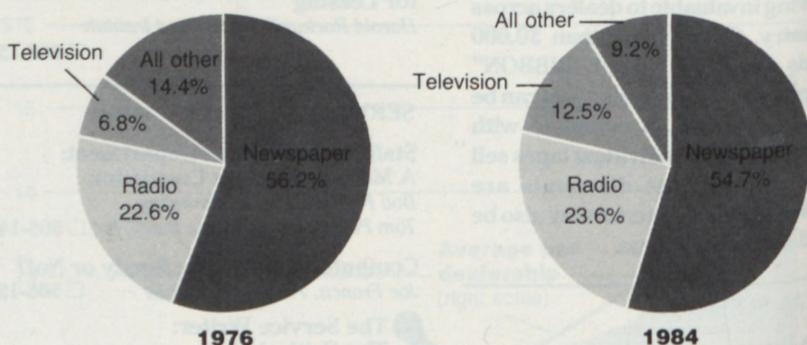
Throughout the 1980s, the advertising-to-sales ratio has been significantly higher than during the 1970s. In the early 1980s, much of this increase was a result of the decline in total dollar sales growth. The more recent increases have been a result of the shift in the distribution of dealers across volume categories.

(Large-volume dealerships, which now represent a greater share of the total dealership population, have traditionally had higher advertising-to-sales ratios.) Compounding the effect of both these factors has been the strengthening in the positive relationship between advertising intensity and dealership size. Note, for example, that low-volume dealerships actually have lower advertising to sales ratios now than they did during the 1970s.

Much of the increase in advertising intensity by large volume dealerships has occurred because of their shift towards a more expensive medium (i.e.—TV). The table at the top right shows that most of the growth in TV advertising by dealers resulted from the increased use of this medium by large dealerships.

Percent of Total Advertising Expenditures

Weighted average of all dealers



By annual new unit sales group	Newspaper 1976	Newspaper 1984	Radio 1976	Radio 1984	Television 1976	Television 1984	All others 1976	All others 1984
I(0-149)	56.7	54.8	21.8	28.9	4.0	5.4	17.5	11.5
II(150-399)	55.7	54.8	25.7	27.9	5.3	8.0	13.3	9.3
III(400-749)	55.8	55.3	22.0	22.8	10.0	13.2	12.3	8.7
IV(750 or more)	53.2	54.8	19.5	18.8	14.9	17.7	12.4	8.7

Advertising as a Percent of Total Dollar Sales

	1984	1983	1982	1981	1980	1979	1978
Weighted average of all dealers	0.95	0.90	0.92	0.93	0.89	0.76	0.78
By annual new unit sales group							
I(0-149)	0.58	0.57	0.67	0.66	0.66	0.72	0.77
II(150-399)	0.74	0.67	0.77	0.80	0.74	0.70	0.75
III(400-749)	0.80	0.91	0.96	0.86	0.94	0.82	0.78
IV(750 or more)	1.09	1.07	1.08	1.08	1.01	0.92	0.87

Estimated Advertising Expenses Per Dealer in 1984 Dealers classified by number of new vehicles sold in 1984

By media used	Average of all dealers	1-149	150-399	400-749	750 or more
Newspapers	\$48,670	\$7,803	\$24,919	\$50,691	\$160,340
Radio	21,975	4,028	12,707	20,865	54,881
TV	9,359	770	3,641	12,114	51,954
Direct mail	3,825	685	1,889	3,803	11,386
Outdoor	1,771	332	796	1,420	6,088
Programs	815	122	478	916	2,283
Handouts & handbills	354	87	132	137	878
Displays & demos	1,009	161	583	1,127	2,693
Other	761	251	369	559	2,195
Total	\$88,539	\$14,239	\$45,514	\$91,632	\$292,698
Total advertising as a % of total sales	0.95%	0.58%	0.74%	0.80%	1.09%
Total advertising per new vehicle sold	\$154	\$116	\$137	\$145	\$176

Local Advertising by Franchised New-Car Dealers

By media used	
Newspapers	\$1,204 Million
Radio	543 Million
TV	231 Million
Direct mail	95 Million
Outdoor (billboards, signs)	44 Million
Programs (theater, sports, etc.)	20 Million
Handouts or handbills	9 Million
Displays & demos	25 Million
Other	19 Million
Total	\$2,190 Million
By type of advertising	
New vehicle	\$1,150 Million
Used vehicle	613 Million
Institutional	230 Million
Service	197 Million
Total	\$2,190 Million

CONSUMER CREDIT

As shown in the table below, the average new-car finance rate rose substantially for finance company loans, but fell slightly for loans made by banks. As a result, the spread between finance company and bank loans once again became positive for the first time since 1980.

In 1980, high interest rates were cited as one of the deterrents to new-car sales. But, in 1984, average finance rates were not significantly lower than they were in 1980; yet the recovery in new car sales

continued. The difference is availability. In 1980 and 1981, average new-car finance rates were below the prime rate. Because of this, banks retreated sharply from the new-car loan market. In 1980 and 1981, the dollar amount of automobile paper outstanding at banks actually fell. In 1984, automobile paper outstanding at banks and credit unions rose 27 percent, whereas the outstandings for finance companies rose only 5 percent.

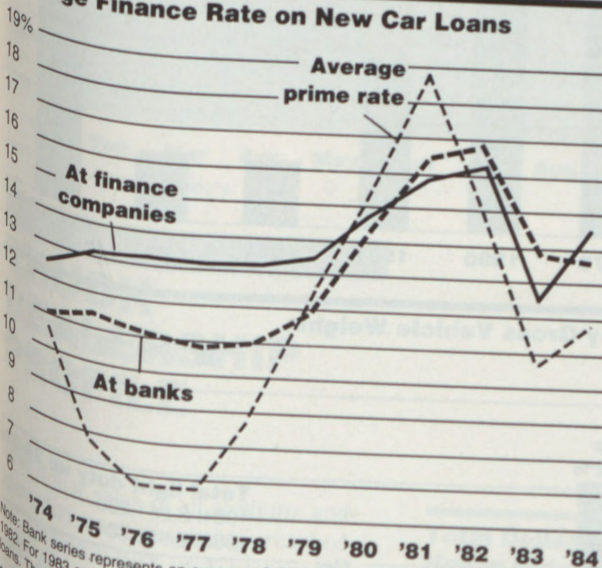
Another important trend in the

automotive credit market in 1984 was the increasing length of new-car loans. The average maturity, in months, of new-car loans made by finance companies is presented below for various time periods.

Average Maturity of New Car Loans (Finance company loans)

1970	34.7 months
1975	37.6 months
1980	44.7 months
1984	48.3 months
February, 1985	51.4 months

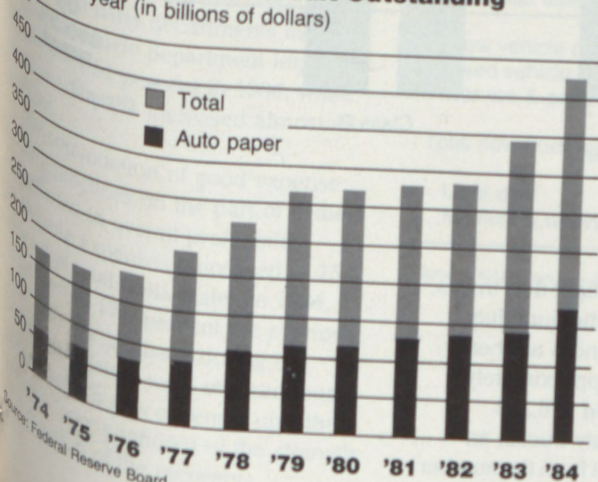
Average Finance Rate on New Car Loans



Note: Bank series represents an average of direct 36 month loans for the period 1974-1982. For 1983 and 1984, the bank series represents the average of direct 48 month loans. The finance company series represents the average of all loans made.

Source: Federal Reserve Board

Consumer Installment Credit Outstanding As of end of year (in billions of dollars)



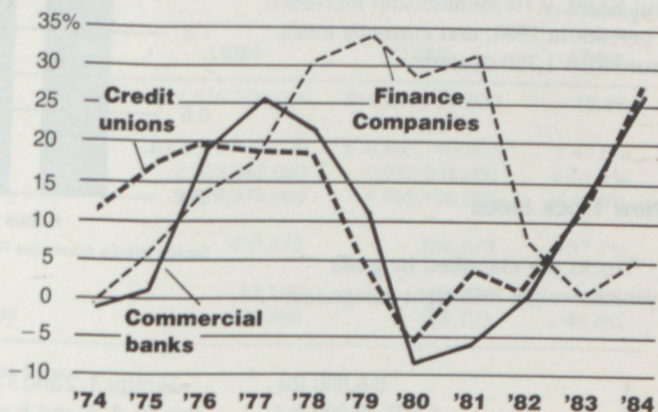
Source: Federal Reserve Board

Automobile Paper Outstanding by Type of Lender (As of end of year, in millions of dollars)

	Commercial banks		Credit Unions		Finance companies		
	Total \$ amount	% of total	Total \$ amount	% of total	Total \$ amount	% of total	Total
1974	\$32,774	60.4%	\$10,869	20.0%	\$10,623	19.6%	\$ 54,266
1975	33,287	58.2%	12,741	22.3%	11,214	19.6%	57,242
1976	39,621	58.5%	15,238	22.5%	12,848	19.0%	67,707
1977	49,577	59.8%	18,099	21.8%	15,235	18.4%	82,911
1978	60,510	59.5%	21,200	20.9%	19,937	19.6%	101,647
1979	67,367	57.9%	22,244	19.1%	26,751	23.0%	116,362
1980	61,536	52.7%	21,060	18.0%	34,242	29.3%	116,838
1981	58,081	46.3%	21,975	17.5%	42,275	36.1%	125,331
1982	58,852	45.2%	22,596	17.4%	48,780	37.5%	130,227
1983	67,557	47.4%	25,574	18.0%	49,318	34.6%	142,449
1984	85,501	50.3%	32,456	19.1%	51,994	30.6%	169,951

Source: Federal Reserve Board

Percentage Change In Automobile Paper Outstanding By type of lender



Source: Federal Reserve Board

FRANCHISED NEW TRUCK DEALER

In 1984, the medium- and heavy-duty truck dealer body had a particularly good year. Total medium and heavy-duty truck sales totaled 276,368, a 46.4-percent increase over 1983 sales of 188,700. Combined, these dealers generated over \$21 billion in total dollar sales and contributed to the dramatic recovery that few industry specialists predicted would happen. As 1985 opened, there were an estimated 2,590 medium- and heavy-duty truck dealerships. As shown in the tables, dealerships that are primarily engaged in the sale and service of medium- and heavy-duty trucks differ quite substantially from franchised new-car dealerships. These medium and heavy-duty truck dealerships rely much more heavily on service and parts as well as used-vehicle sales. In 1984, truck dealers obtained almost 41 percent of their total sales dollars from these three departments.

Increasingly, the importance of the trucking industry to the national economy is being realized. Thousands of jobs and billions of dollars are generated by the manufacture, sale and service of medium- and heavy-duty trucks that carry freight. Medium- and heavy-duty franchise holders are represented in Washington and in dealings with their manufacturers by the American Truck Dealers Division (ATD) and NADA. ATD membership increased 9 percent in 1984, and currently totals more than 1,750 dealers.

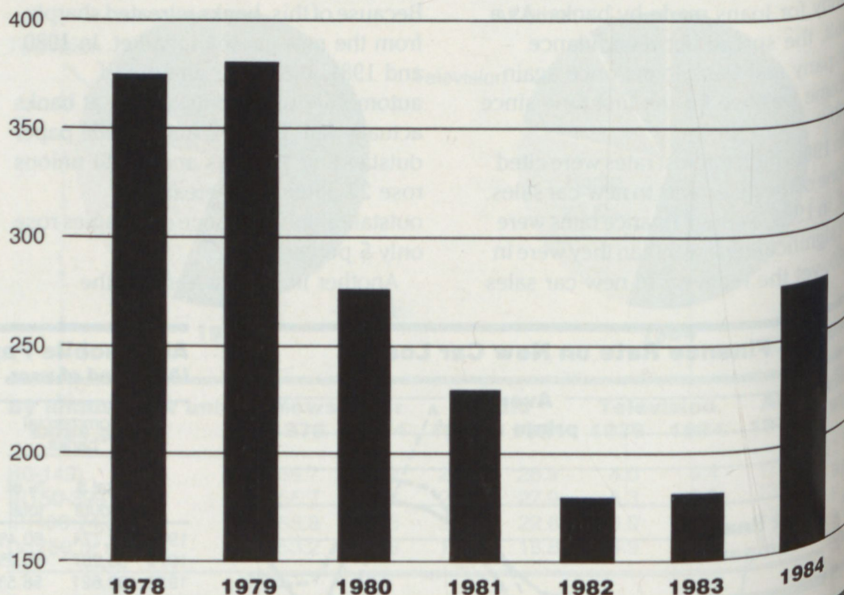
New Truck Sales

Trucks are classified by gross vehicle weight into eight categories:

1	0-6,000 lbs.
2	6,001-10,000 lbs.
3	10,001-14,000 lbs.
4	14,001-16,000 lbs.
5	16,001-19,500 lbs.
6	19,501-26,000 lbs.
7	26,001-33,000 lbs.
8	33,001 lbs. and over

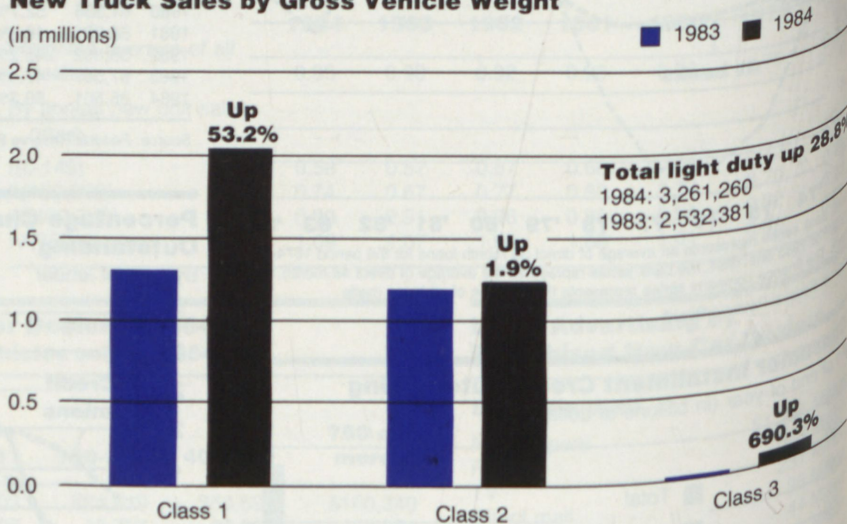
Medium and Heavy-Duty Trucks Unit Sales

(in thousands)



New Truck Sales by Gross Vehicle Weight

(in millions)

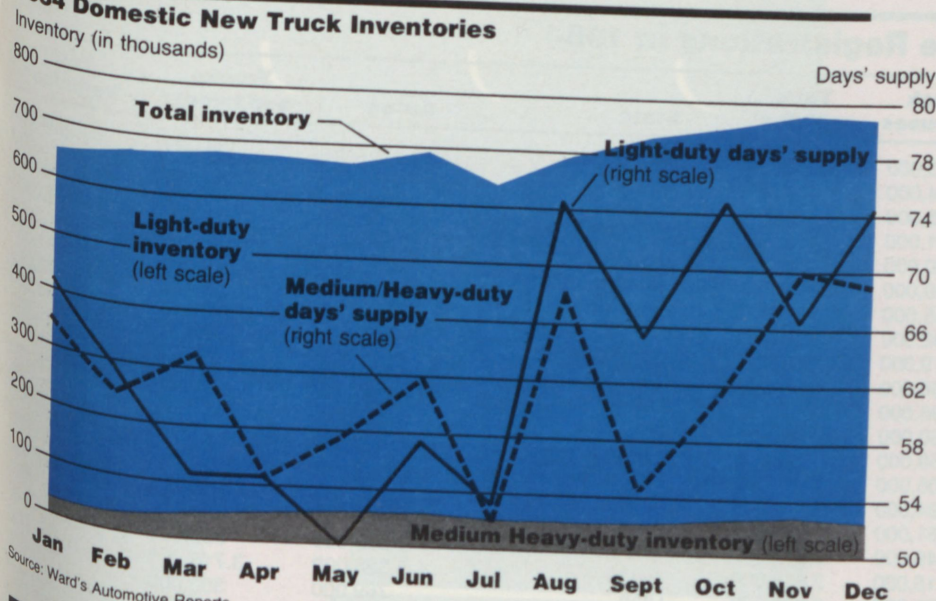


Source: Ward's Automotive Reports

Groups 1, 2 and 3 are light-duty trucks, groups 4, 5 and 6 are medium-duty trucks, and groups 7 and 8 are heavy-duty trucks. In 1984, approximately 2,590 truck dealers sold 276,368 medium- and heavy-duty trucks, an increase of 46.4 percent from the number sold in 1983.

TRUCK INVENTORIES

1984 Domestic New Truck Inventories



TRUCK DEALERSHIP PROFILE

Total dollar sales of all medium- and heavy-duty truck dealerships reached \$21.5 billion in 1984, up 47 percent from 1983. Although this increase was primarily spurred by the impressive and sustained recovery in new medium- and heavy-duty truck sales, tremendous gains were made in the used-vehicle, and service and parts departments as well. The used-vehicle department improved dollar sales 51 percent in 1984, while service and parts increased almost 43 percent.

The continuation of good expense control practices on the part of dealers contributed to overall profitability. Dealership expenses amounted to 15.4 percent of total dollar sales in 1984, compared to 17.1 percent the previous year. After cutting back during the recession, dealers were still cautious about incurring new expenses until they became more confident of the strength and duration of the recovery.

Total Dollar and New Unit Sales of Medium and Heavy Duty Truck Dealerships

	1984	1983	% Change 1984- 1983
Total dollar sales	\$21,510,702,000	\$14,672,023,000	+ 46.6%
New vehicle dept.	\$12,626,782,000	\$ 8,553,790,000	+ 47.6%
Used vehicle dept.	2,903,945,000	1,922,034,000	+ 51.1%
Service & parts dept.	5,979,975,000	4,196,199,000	+ 42.5%
Total new truck sales	328,518	238,573	+ 37.7%
Light duty	52,150	49,850	+ 4.6%
Medium & heavy duty	276,368	188,723	+ 46.4%

Source: NADA Industry Analysis Division

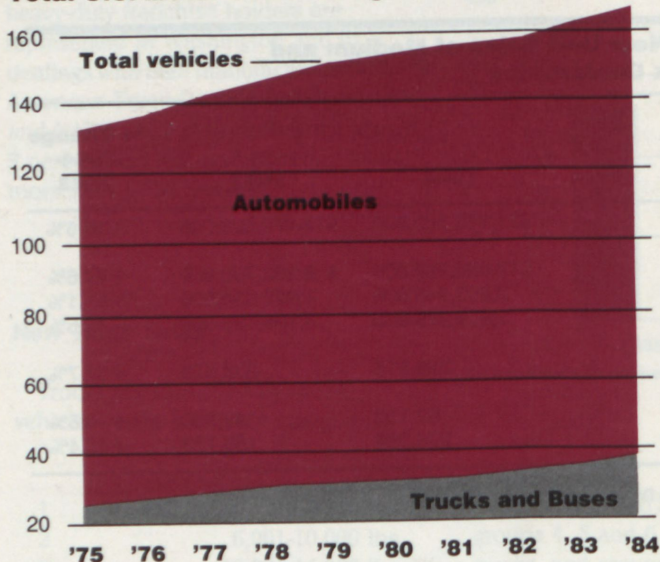
TOTAL REGISTRATIONS

Total U.S. Motor Vehicle Registrations in 1984

State	Autos	Truck and buses	Total vehicles*	State	Autos	Trucks and buses	Total vehicles*
Alabama	2,317,000	893,000	3,210,000	Montana	526,000	368,000	894,000
Alaska	234,000	144,000	378,000	Nebraska	828,000	427,000	1,255,000
Arizona	1,682,000	675,000	2,357,000	Nevada	542,000	213,000	755,000
Arkansas	927,000	501,000	1,428,000	New Hampshire	712,000	118,000	830,000
California	14,730,000	4,140,000	18,870,000	New Jersey	4,438,000	535,000	4,973,000
Colorado	2,020,000	759,000	2,779,000	New Mexico	819,000	462,000	1,281,000
Connecticut	2,185,000	155,000	2,340,000	New York	7,585,000	1,087,000	8,672,000
Delaware	361,000	92,000	453,000	North Carolina	3,543,000	1,147,000	4,690,000
D.C.	215,000	19,000	234,000	North Dakota	396,000	280,000	676,000
Florida	7,682,000	1,866,000	9,548,000	Ohio	6,520,000	1,349,000	7,869,000
Georgia	3,202,000	1,096,000	4,298,000	Oklahoma	1,745,000	1,030,000	2,775,000
Hawaii	573,000	60,000	633,000	Oregon	1,486,000	667,000	2,153,000
Idaho	530,000	359,000	889,000	Pennsylvania	5,868,000	1,110,000	6,978,000
Illinois	6,002,000	1,705,000	7,707,000	Rhode Island	524,000	81,000	605,000
Indiana	2,850,000	994,000	3,844,000	Rhode Island	524,000	81,000	605,000
Iowa	1,780,000	751,000	2,531,000	South Carolina	1,646,000	502,000	2,148,000
Kansas	1,423,000	649,000	2,072,000	South Dakota	399,000	242,000	641,000
Kentucky	1,816,000	816,000	2,632,000	Tennessee	2,999,000	650,000	3,649,000
Louisiana	2,037,000	872,000	2,909,000	Texas	8,328,000	3,713,000	12,041,000
Maine	583,000	207,000	790,000	Utah	769,000	350,000	1,119,000
Maryland	2,675,000	517,000	3,192,000	Vermont	298,000	88,000	386,000
Massachusetts	3,401,000	467,000	3,868,000	Virginia	3,405,000	580,000	3,985,000
Michigan	5,038,000	1,291,000	6,329,000	Washington	2,407,000	994,000	3,401,000
Minnesota	2,448,000	915,000	3,363,000	West Virginia	925,000	401,000	1,326,000
Mississippi	1,192,000	373,000	1,565,000	Wisconsin	2,597,000	717,000	3,314,000
Missouri	2,553,000	907,000	3,460,000	Wyoming	292,000	220,000	512,000
				Total U.S.	130,053,000	38,554,000	168,607,000

*Total vehicle excludes motorcycles (5,618,000) Source: U.S. Department of Transportation, Federal Highway Administration

Total U.S. Motor Vehicle Registrations



AFTERMARKET/ ACCESSORIES



AFTERMARKET/
ACCESSORIES



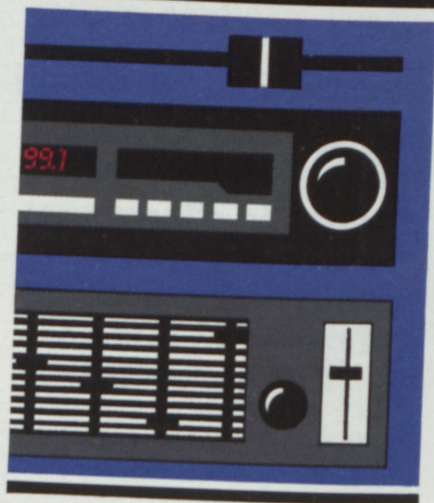
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AFTERMARKET/ ACCESSORIES



The original equipment manufacturers are trying many different tactics to get the do-it-yourselfer out of the malls and back into the dealership to buy parts and accessories.

By Ted Orme

STRIKING BACK AT THE MASS MERCHANDISERS

Like fat ties and double-breasted suits, the automotive aftermarket runs in cycles. There was a time when practically the only place to buy a part or accessory for your car was the dealer. Now it seems like every drug and grocery store stocks parts, and the auto dealer is often the last place motorists think to go for an oil filter or spark plug, much less an appearance or convenience item. But that's changing. The recession of the early '80s shrank profits from new-car sales and sent dealers scurrying to find new profit centers. They found many. An Automotive News survey at the end of 1983 showed half of all dealers generating up to one-fifth of their profits through extras, and four out of 10 dealers made

21 to 40 percent of their profits this way.

A most pleasant discovery was an untapped motherlode of aftermarket parts and accessories profit. Untapped by dealers, that is. Thousands of retail companies of all descriptions had quickly capitalized on a tremendous resurgence of do-it-yourselfers during the recession and were happily feeding off an annual \$22-billion pie, while auto dealers, still suffering a lousy image in the areas of pricing, convenience and handling, sat grumbling on the sidelines.

But increasingly, manufacturers and dealers are growing tired of seeing new-car and truck buyers go to the mass merchandiser around the corner to buy everything from a can of wax to a super sound

system, and they are striking back. As *Advertising Age* points out, "Hungry for increased profits and looking to keep in touch with car owners, the original equipment manufacturer is trying everything from free oil changes to full-size parts boutiques in an effort to get the do-it-yourselfers out of the malls and department stores and back into the local dealership service department."

General Motors has its Mr. Goodwrench program, American Motors has boosted parts sales with its Dealers Choice program. And Chrysler does 10 direct mailings a year and gives its dealers help with local advertising costs. But Ford may have taken the most aggressive approach of all. After a successful pilot program in five markets, the Ford Parts and Service Division is expanding its Parts Store program to 160 dealerships this year.

The Ford Parts Store copies the mass

merchandisers' methods and motif, employing retail specialists to develop the latest techniques in packaging, display, inventory and training in bright and cheery facilities designed to be irresistible to the do-it-yourselfer and impulse buyer. To provide an edge over the retail competition, Ford Parts Stores trade on the theme "Expert Advice for the Asking."

"People will buy a lot of things they can see," says Kess Evans, general manager for Bill Currie Ford in Tampa, FL, site of one of the first Ford Parts Stores. Currie Ford faced problems most dealership parts departments share: a big counter that separated customers from bins of parts hidden in the rear, and employees geared to wholesale business, not retail. Installation of a Ford Parts Store, with brightly lit row after row of parts and accessories conveniently—and scientifically—displayed changed all that.

"Before, a customer would come in and buy a tune-up kit and leave," says Evans. "Now, he may also buy an oil filter, oil or something else that catches his eye that he had no mind to buy when he came in. We have made big inroads into business we normally wouldn't have."

Evans and most other dealers who have set up Ford Parts stores also report the added benefit of increased wholesale parts and service business, as well as a big boost in their image. And, maybe most importantly, "It is a great sales tool for our salespeople," Evans points out.

But domestic new-car dealers are not the only ones to discover the marvels of retailing. A number of import manufacturers are encouraging dealers to expand their parts and accessory operations into boutiques offering everything from marque jewelry to designer apparel.

"Who says a dealer's parts and service operations have to be blah and cold," asks Irv Sanderson, owner of Boulevard Imports (Datsun, Saab) in Richmond, VA, an enthusiastic retailer. Sanderson painted his service department with striking red and blue supergraphics and remodeled his customer lounge into a parts boutique. Lining the walls are big glass displays of all kinds of Saab and Nissan

"The competition between OE and aftermarket manufacturers is healthy for the industry. In the end it will produce higher quality, more price competitive goods and services and stronger, more reliable and reputable aftermarket suppliers. And, the experts predict, there will be plenty of business for everyone."

accessories, including umbrellas, model cars and even cologne. "All the stuff that used to gather dust in the back," he chuckles. "Now we can't keep it in stock."

In an era of renewed performance and high style, customizing is another idea whose time has come. As many a custom accessory manufacturer or distributor will tell you, dealers can easily add \$300 to \$500 to their gross on select models with such simple add-ons as pinstripes, driving lights, splash guards and side moulding. Really "tricked-up" cars—featuring T-tops or sun roofs, air dams, spoilers, special paint, custom wheels, etc.—can bring in as much as \$2,500 to \$4,000 additional profit. Some successful dealers in this area attribute 4 to 5 percent of total sales to accessories.

The dressed-up car not only sells itself quickly, it also sells a lot of aftermarket accessories to customers who see the item on the car and then order a la carte from what they see. Dealers who display a wide range of convenience and appearance accessories on showroom models report great success.

The Specialty Equipment Market Association (SEMA) further points out that buying these items from manufacturers, local jobbers or wholesalers, all of whom now have programs specially tailored to auto dealers, offers dealers more inventory flexibility and a wider range of options, usually at higher profit than OE accessories. And aftermarket firms now realize the importance of brand awareness in a highly competitive market, so dealers can also expect advertising and

promotional support for these products.

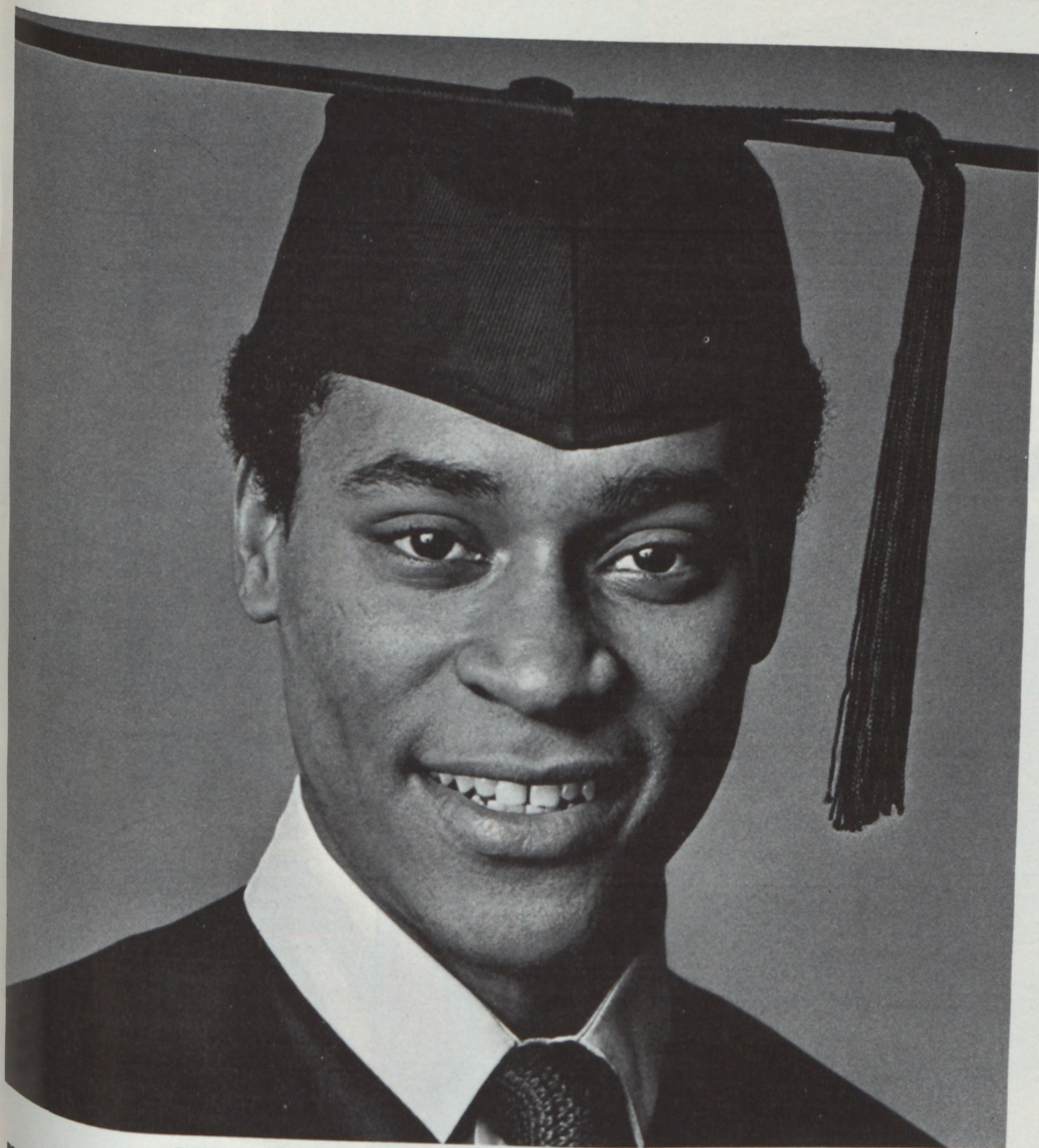
Most auto industry analysts agree the competition between OE and aftermarket manufacturers is healthy for the industry. In the end it will produce higher quality, more price-competitive goods and services and stronger, more reliable and reputable aftermarket suppliers. And, the experts predict, there will still be plenty of business for everyone.

As we pointed out in last month's *Automotive Executive*, a new study by Venture Development Corp. (VDC) shows the auto sound industry—which is feeling the greatest heat from automakers—reaching a record \$2.2 billion in 1985, with \$3.4 billion predicted by 1990! "As both automakers and aftermarket suppliers increase sales of higher quality products with more feature-laden components, auto sound revenues are growing faster than system shipments, a rare trend for a consumer electronics product," VDC comments.

And then there are the new products, particularly in electronics. Good examples are the rapid growth of the car security and cellular telephone markets. Some 80 aftermarket firms are now involved in an estimated \$200-million-a-year security market. With more and more insurance companies offering discounts to car owners with security devices, and with auto manufacturers threatening to enter this lucrative arena—which the industry says will increase exposure and, thus, business—predictions are the industry will expand by as much as 30 percent a year.

However, other trends in the aftermarket raise serious questions for auto dealers. The evolution of engineering and technology, which has produced some startling new products and made cars far more sophisticated, is also expected to put a serious crimp in the do-it-yourself market. Auto manufacturers have already eliminated many maintenance operations, and the future will see more go the way of ignition points and condensers.

Fortunately, this trend is offset by better diagnostic and service-warning devices in the car which alert the consumer to the need for service, and by more aggressive



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sive efforts by dealers and manufacturers to keep customers coming back for service, as well as parts and accessories.

All things considered, the automotive aftermarket is a robust and realistic business opportunity for dealers. The watch-

words here, of course, are caution and commitment. But for dealers who exercise both, the profits are very real. ■

Ted Orme is a contributing features writer for Automotive Executive magazine.

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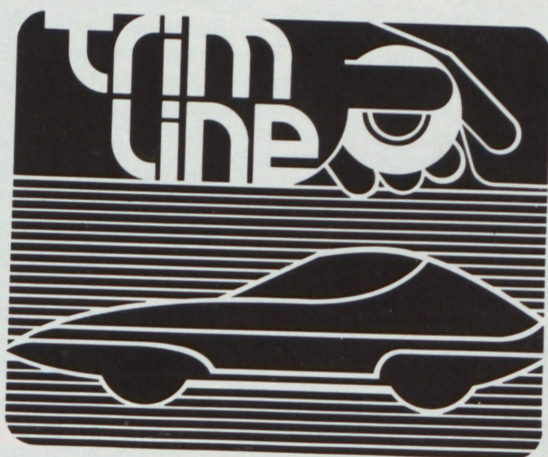
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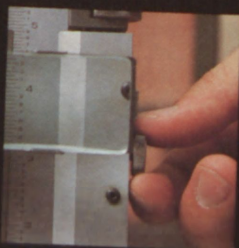
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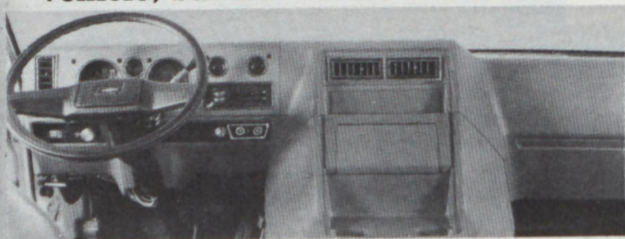
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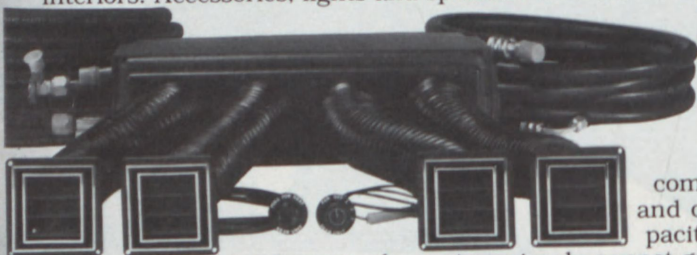
an electric toggle switch allowing the unit to heat or cool while the engine is idling. The "H" valve also allows the system to be hooked in series with the original heater, thereby reducing the number of connections, T-fittings and chance of leaks.

Cover panel is available in beige, grey, black, or can be painted to match automotive interiors. Accessories, lights and speakers can also be mounted in this panel.



Complete Auxilliary Heat / Cool System for Sports Vans and Campers.

A solution to your problem. common to most converted vans and campers is that while the capacity of the existing heating and



cooling system is adequate, the system simply cannot generate a sufficient volume of conditioned air. What it can generate doesn't go where it's needed. Vern-Air solves that problem by putting an additional, separately controllable source of conditioned air where it's needed most - at the rear of the vehicle. Our system operates from your existing lines saving you the expense of total duplicate systems. Our goal is total environmental control, both heating and cooling, throughout the entire vehicle.

Vern-Air and Mark IV products are manufactured by Vernco Corporation, a recognized leader in the field of air handling technology, and a major supplier of air handling equipment to the nations largest automotive and consumer products corporations. Vern-Air and Mark IV products are supported by a nationwide network of Distributors, Service Centers and Dealers who along with our unparalleled product quality are responsible for having maintained our good name for more than fifty years.



Other Vern-Air and Mark IV
Air Handling Products include:

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- Truck/Sleeper Heat/Cool System
- Slimline • UltraKool Roof Air
- Class A Vehicular Heat/Cool/Defrost System
- Allegro • Monitor • Escort

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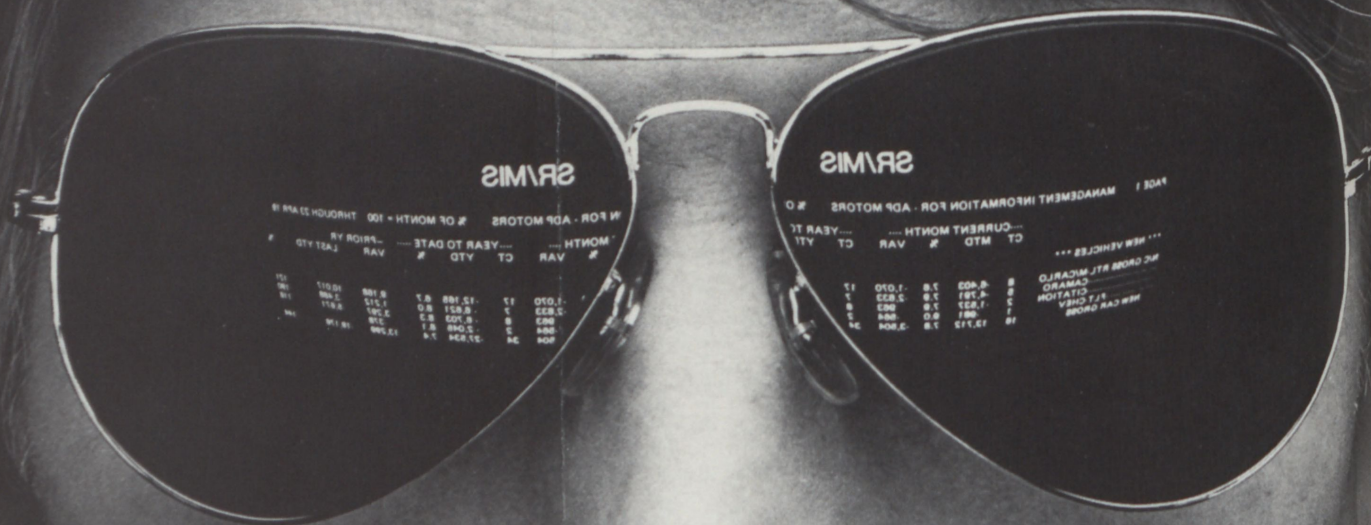
Vernco Corporation
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BUSINESS SERVICES



BUSINESS
SERVICES

INDEX OF
SUPPLIERS



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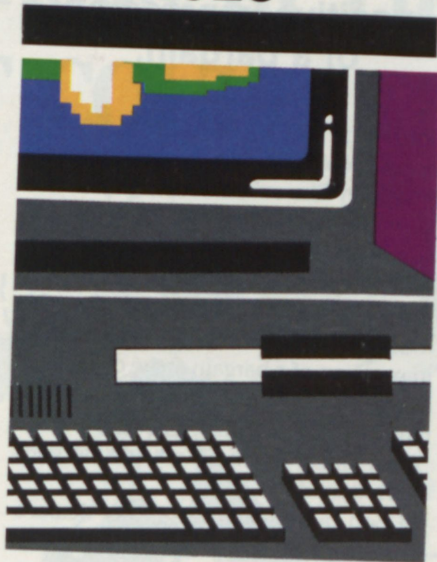
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Circle #1 on Reader Service Card

BUSINESS SERVICES



No dealer can afford to sit back and wait for customers to come through the door. With the right tools, prospects can be identified, attracted and turned into sales.

STRONG ADVERTISING SELLS MORE THAN DEALER'S NAME

Many dealers believe they are qualified advertising experts," says Lee Reicheld, owner of Reicheld Corp./Lee Alan Productions in Detroit, MI. "Though they rely on accountants and lawyers to provide professional advice, most dealers try to handle advertising themselves." Reicheld asserts that by "handling it themselves," dealers lose millions of dollars in wasted advertising. "For the single-point dealership, advertising is the most important business activity," Reicheld says. "Single dealerships spent \$1.6 billion in advertising in 1983. Of that, \$900 million was spent in newspapers, \$137 million on radio and the rest on television and direct mail.

"About 80 percent of that money was misdirected."

Establishing The Focus

As long as there have been car dealers, there has been dealership advertising. Over the years, sound and successful advertising theories have evolved that, if followed, consistently bring in customers.

"It's been said that all you have to do is spend enough money and say your name enough times and you'll get business," says Reicheld, who has worked in dealership advertising for 15 years. "Well, I can say from experience that it's possible through poor advertising to unsell yourself."

Reicheld believes that most dealership advertising problems derive from a failure to correctly focus advertising.

"In the dealership, no matter what type of car is sold, the product is not the car, it is the dealer and the dealership," he asserts. "It's the dealer's job to advertise himself."

In a market where there may be several dozen dealers and several dealers in the same line, a dealership's advertising has to set the dealer apart, making his name and location known. But every dealer tries to do that. And everybody wants to win, because winning means customers.

"You can spend millions on facilities, service, people and everything else," Reicheld says, "but nothing happens in a dealership until customers come through the front door."

Name, Location, Bargain

A successful advertisement contains

"A successful ad has three components: the dealership's name, location and the positive impression of a bargain."

three vital components—the dealership's name, location and the general positive impression of a bargain. These three components must be the essence of any dealer message. Bringing them together successfully, however, is not as easy as it may seem.

"Most dealers think that because they've been in business for so many years that everybody knows their name," Reicheld says. "But within two miles of their dealership, probably 30 or 40 percent of the people don't know they're there. Or if they know they're there, they don't know the name. The dealership's name is the most important essential in advertising. The dealer has to get his name across to the public so it becomes a household word."

Communicating the dealership's location is another essential, according to Reicheld. "I could live less than two miles from a dealership, but if I don't know exactly where it is, it's not convenient," Reicheld says. "A dealer can sell cars to people 30 or 40 miles away if they know right where he is."

The final component to good advertising is giving a general, positive impression of a bargain. This is perhaps the most difficult aspect of advertising. Reicheld believes it is necessary to create an impression of honesty, responsibility, fairness, understanding and of offering at least as good a deal as the competing dealerships. If customers believe they will be treated fairly, they are more likely to remember the dealership's name and location than if they are attracted to an advertised price. In fact, according to Reicheld, price advertising is often not recommended.

"What type of traffic does a dealer attract when he advertises \$99 down/\$99 a month?" Reicheld asks. "In general, he attracts unqualified credit risks. So when he looks at his closing ratio and it's one in 20 when it should be one in five or better, he can blame that on the impossibility of clearing those customers."

Making It Stick

More than in almost any other industry, automobile consumers come into the

market on an impulse. Either through hearing corporate advertising or seeing a car they like on the street, they decide to come into the market. Their first thought upon deciding to buy a car is, "Where can I go to see this car?"

"And if the name of the dealership, the location of the dealership and the general impression of a bargain at the dealership don't pop into those customers' minds, that customer is lost," Reicheld says. "Every dollar spent on advertising goes down the tube."

Good advertising gets the dealer's name, location and suggestion of a bargain in the customer's mind and keeps it there. To do this, Reicheld asserts, advertising must take one or more of three tones: be humorous, interesting and/or entertaining.

Advertisements ask people to listen, whether on the radio, TV or in the newspaper. But commercials are an interruption. People don't watch TV or listen to the radio to see or hear commercials. Unless given a good reason not to, they will tune them out or turn the channel.

"You have to make a good commercial," Reicheld says. "You have to cut through the clutter. You have to say it better, psychologically louder and stronger than anybody else."

Reicheld recommends several often-used but successful ways to grab consumers' attention.

"Develop a theme," he says. "Any dealer would love to have a theme that everybody knows."

The theme should be used in all advertising, and all media. That consistency enables people to identify the dealership merely by the theme.

One of the best identifiers is music. Music triggers the memory. By developing a set of notes that are used in every commercial, by never going on the radio or television without playing that same music, the dealership's name will be easier to identify. Any time listeners hear those notes, they will automatically think of the dealership.

Quality Pays Off

Putting together a good, strong, consistent advertising campaign requires a significant investment in time, effort and money. It cannot be created and sustained in a monthly meeting using funds left over from some other part of the budget. If a dealer wants to convince customers to come through his doors, he has to show, both in the quality of his advertising and in the quality of his message, that his dealership is the best.

Before buying space and time to advertise, the dealer has to decide what he wants to say and how to say it. Either by brainstorming among his department heads or by hiring an outside consultant, such as Reicheld, he must determine his message. Central to that message should be conveying to the consumer the dealership's name, location and the general impression of a bargain. Then the dealership must make the message consistent in all media. And before any part of the program goes out the front door, the entire program should be planned.

A good advertising campaign costs money, but not necessarily more than dealers currently spend. By establishing a controlled, directed campaign, the dealer will get more value out of each advertising dollar.

Reicheld recommends using a projected production unit basis of budgeting for advertising.

"For example, a dealer decides to spend \$100 per car on advertising each month. He projects sales of 100 cars in February, so his February ad budget will be 100 cars at \$100 each or \$10,000. Now near the end of February, he projects selling 90 cars in March, so the ad budget will be \$9,000. But at the end of February, he finds that despite spending \$10,000 in advertising, he sold only 90 cars. So for March, he is still going to have to sell 90 cars but his \$9,000 monthly ad budget is going to have to absorb the \$1,000 that was overspent in February. In effect, he will have to sell 90 cars in March on an \$8,000 ad budget.

"Dealers will never overspend their advertising budget if they project it this way," he says.

Sure, You Believe Your Salespeople Could Sell Fishing Rods In The Desert— BUT COULD THEY?



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Desert or no desert, you still need prospects. And using our creative experience and professional list selection techniques, you'll get more sales.

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Circle #32 on Reader Service Card

Fine Tuning the Campaign

Reicheld also points out that there is no need to advertise the different departments in the store. He says every consumer knows that new-car dealers have a service department, a parts department and a body shop.

"How does the dealer promote these services? By promoting his good name, his location and the suggestion of a bargain. And by doing it month in and month out on a consistent basis. So when the public is in the market for one of his

products, they come to him."

What happens, however, when cyclical downturns in the market hit? What should a dealer do about advertising?

"When business is bad and the market is not there, I'm not going to recommend advertising," Reicheld says. "But when business is good, dealers should pour the coal to it. And if business is poor at one dealership and great at others, that dealer should pour the coal to his advertising and find out what's wrong.

"Advertising is the same in any busi-

ness," Reicheld concludes. "It has the same purpose—to get bodies through the front door of the store. Advertising won't sell cars. It won't sell anything. But it will bring the people to the dealer so he can do what he does best—sell."

Based on a workshop presentation at the 1985 NADA Convention. Edited by Gerry Donohue.

Nifty Ideas

1

Hotline. Install an unlisted telephone number (which is not usable for outgoing calls) for the sole purpose of evaluating your advertising. The cost is low, and it is an almost surefire method of analyzing how many inquiries are produced by what media.

2

Reverse advertising. Instead of advertising which used cars you have, advertise for the ones you want. It's a great way to get the cars that sell quickly, and boosts traffic and sales at the same time.

3

Customer satisfaction. Customer satisfaction should be the number-one priority of a dealership, and it's an important area for a dealer to be involved in. Consider meeting once a week with all

department heads to discuss customer relations matters. Update your customer relations list weekly, and keep dissatisfied customers advised of progress. Personnel, sales and billing complaints should be treated with the same importance as service complaints. Each week, chart the number of customers called and the number of satisfactory compared to unsatisfactory responses.

4

Antique car show. Boost showroom traffic by inviting a local antique car club in for a weekend show on your premises. The extra publicity and increased showroom traffic generated by the displays will more than offset expenses.

5

Moving billboards. By painting a "billboard" on your parts and service vehicles, you can literally take your advertising

6

message to thousands of prospective buyers in every corner of your city at very little cost.

Idea sessions. Holding idea sessions, like those used by NADA 20 Groups, can help your dealership's business. All participants bring one good idea on a selected topic and one dollar, which goes into the pot. The dealer frequently matches the pot, which goes, by vote, to the person with the best idea.

7

Newsletters. A newsletter is a good way to let your customers know about product updates, sales and service specials and simply that you care about them. A newsletter will also keep reinforcing your dealership's name with customers. If you have a creative person on your staff, let him or her be editor.

HOW TO SHOP SMARTLY FOR DEALERSHIP COMPUTER SYSTEMS

By Kent Miller

The thought of moving from a manual to a computerized system of recordkeeping is enough to make many auto dealers and sales and service managers break out in a cold sweat. While most realize that costs have dropped within the reach of everyone, they are concerned about the time required to merge a system into their operation. Furthermore, it is easy to become

frustrated by the abundance of computers and the array of software packages on the market. Since many do not feel knowledgeable about the subject, they do not feel qualified to make a decision.

The best advice is don't rush. Becoming knowledgeable is not difficult if you have the desire to benefit from the use of computers and arm yourself with a fully developed list of questions.

Begin this list with questions you and your auditor can answer:

What functions do you have now that you need to keep?

What new capabilities do you need?

What are your immediate and long-range needs?

Here are some tips that should help you complete your specific list, one that will help you zero in on the best selection. No dealership should select its first computer without involving its major decision maker—the dealer—in the selection process. The tendency is for busy people to ask what their competitors use and opt for the same. However, if your competitors did a poor job of shopping, don't have your identical set of needs, or the proven system products, duplicating that choice can be an expensive mistake. Furthermore, the greater the dealer's in-

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Computer Systems

volvement, the more he or she will know about the possibilities computers offer, and the better the system will serve the dealership.

What are the strengths and features of each particular vendor's products? All you have to do is ask any sales representative and he or she will be more than happy to point out the best features of their products. Since no two systems are identical, you may be surprised to find that a system that meets some of your needs falls short of satisfying all your requirements.

What is your plan for system growth? There is no need to suddenly put an entire operation onto a computer. One application can build the information needed to operate future applications. For example, the data collected by your service order

entry system gives you the base needed to begin invoicing by computer. When you are ready to add accounts receivable and parts inventory, the system should be able to integrate each application to fit with the others.

As you schedule additional applications such as traffic control, vehicle control or leasing, or even significantly increase your business volume, you need to know that expansion is available without disruption or heavy expense. You may find that after some years you need to move to a larger system. How much difficulty you may have transferring information from one system to another should be considered.

How reliable is a particular system? Talk to other dealerships who use the system. Auto dealers often purchase parts from several manufacturers and multiple suppliers, each with their own parts number strategy, so check to be sure the system presented to you will handle all lines and volumes satisfactorily.

The best way to know is to see any system you are seriously considering operating in the field. All vendors should be able to supply you with names of other dealers who use their systems in ways applicable to your requirements. Furthermore, they should be able to arrange demonstrations.

What education and support are available? Two things are certain: (1) Your operator(s) must learn to use the system and (2) some day, there will be a need for some form of assistance. Many of today's computers have menu screens; in other words, the computer itself can guide you through the steps of operation. Do you find this computer assistance easy to follow? How readable are the manuals? How much training is provided? How much will training cost for future employees?

Equally important is the availability of service and support. Does the vendor offer a phone service for consultation and advice? What are the charges?

Is the system user-friendly? Select a computer that is easy to operate. Most of today's small- to medium-sized systems do not require a computer wizard who

alone knows that magic words to make the system operate. Even if you have no plans to ever operate the computer yourself, ask the sales representative to show you how to execute commands. Once you know firsthand how friendly the system is, and how close the commands are to everyday English, you will know how quickly new operators can be brought on board.

Is there a hardware/software package that—without modification—will meet your needs? Of course, you can always have software custom-made for your operation, but just as with any other specially created product, the cost may be many times more than the ready-made system. Also, the time to build, test and document such a system could be prohibitive.

In the event you are unable to fit your system requirements exactly to available application packages, look for the system that will require the least modification and consider the cost of hiring a freelance programmer to make only the modifications you need. You must then concern yourself with future support for any and all changes. It is highly desirable to have confidence that when you need help to modify your system or maintain the software, you can depend on the person or company responsible to promptly and effectively respond to your needs.

Properly used, a computer system should provide excellent and accurate management information. It may reduce operating expenses and forestall the need to add additional personnel. There are many cases where auto dealerships drastically reduced their investment in inventory while meeting increased parts sales, improved their service merchandising and improved closed sales per prospect ratio. These are but a few of the payback items from the investment of time, energy and dollars in a well-thought-out automated dealership management system.

Kent Miller heads IBM's national division for dealership marketing.



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With more than 20 years of experience in dealership information management, CARS offers the most reliable system support from computer professionals who understand the dealership business. Our Customer Service Department is never more than a toll-free telephone call away.

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"YOU'D CELEBRATE A SYSTEM THAT KEEPS UP WITH When a large dealership experiences a record year, they need a computer."

"In most dealerships of our size, a 30% increase in sales one year, followed by a 35% projected increase the next, would create problems. But our Reynolds+Reynolds VIM/NET 32000 performed right with us," commented Diane Honigford, Dealership Comptroller. "The best feature of the system is the integration of parts, service, and accounting systems. It frees up time to do the right kind of management job because it decreases the margin for human error and increases accuracy and time efficiency." Sandi Flanagan, Business Office Manager noted, "We've gone from 8 terminals to 20 and can handle all departments' data processing needs in the accounting office to parts and service."

"In Parts, the 32000 helps us get more done everyday. Posting, or stock order creation, takes less than half the time it used to," added Hubert Overman, Parts Director. "Communications between departments have been improved throughout the dealership. In the Service area, we're finding that the computer print-out service menu with recommendations for maintenance is more credible to our customers. My people feel they're part of the whole dealership team," concluded Bill Cain, Service Director.

Bud Hatfield, owner concluded, "Buying the Reynolds VIM/NET 32000 was the best decision I've made to keep up with managing my rapidly growing dealership."

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30% INCREASE IN SALES, TOO." *Bud Hatfield* Bud Hatfield, Owner,
 Trader Bud's Westside Dodge, AMC/Jepc/Renault, Columbus, Ohio
 System that performs... the NEW Reynolds+Reynolds 32,000 Integrated System.

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Profit from Leadership
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INDIA OF
 SUPPLIERS

A NEW APPROACH TO PROSPECTING FOR CUSTOMERS

By William M. Graves Jr.

How often do you get an opportunity to try a radically new approach to an age-old problem? This time you are in for a delightful surprise. Because this approach works. And I'll bet that your dealership has never tried these methods before.

Oh, I'm sure a small minority of you sporadically experiment with some variation. But variations are hardly close

enough. Neither are experiments. What is this highly effective means of dealership prospecting? "Customer satisfaction visits" (service mark pending). Permit me to explain.

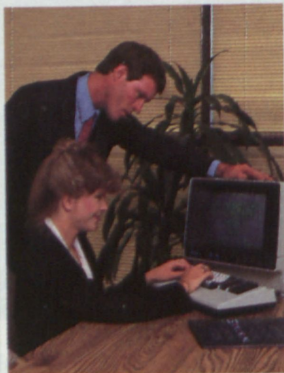
In 1979, when I left the Electrolux Company to realize my goal of owning an automobile dealership, I had an inspiration that has served me well to this day. My thinking was as follows: If I could figure a way to make good use of my strong door-to-door sales background in

the auto business, I could increase sales productivity and, at the same time, tap an invaluable source of fresh prospects. Further, customers would respond more favorably to the hard-working, people-oriented approach that is the hallmark of direct selling.

To my way of thinking, the retail automobile business seemed ripe for the picking. After all, an emphasis on customer satisfaction was hardly prevalent among dealers in 1979. Today, on the other hand, customer satisfaction is the most discussed dealer topic. It is our industry's buzzword. And to think that my 22 salespeople and I used to be the butt of jokes as we sold door-to-door in southern Vermont and New Hampshire with snow up to our tailbones.

We turned into icicles if we didn't

XY-WARRANTY MAKES WARRANTY CONTRACTS SIMPLE



XY-WARRANTY gives you the control, the flexibility and the reporting detail you need to stay competitive in the automotive industry. XY-WARRANTY is a total management system offering:

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GOLF TOURNAMENT DIRECTORS



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A NEW CAR
DEALER COST: \$200**

How? With Hole-in-One Prize Insurance. For as little as \$200., the National Hole-in-One Association will insure a new car or truck offered as the prize for a hole-in-one shot during a golf tournament. If a player shoots an ace, he takes

the car, we pay the dealer and the BIG PRIZE publicity makes the tournament a success for everyone. Call today, for a no-obligation QUICK QUOTE and a copy of our FREE NEWSLETTER, GOLF TOURNAMENT DIRECTOR, full of helpful "how-to's" and examples of successful tournaments.



728 Campbell Centre

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Dallas, Texas 75206**

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Sometimes insurance alone isn't enough to survive

satisfy our customers. At 24 degrees below zero, you learn to satisfy customers—quickly! As for hours, we didn't have any. We started at 8 a.m. and worked until the job was done. Occasionally that meant working until midnight.

What does this have to do with your dealership? Insofar as you're interested in improving the productivity of salespeople and tapping a new source of business, direct sales has everything to do with your operation.

The fact is, your salespeople would do well to emulate the positive characteristics found in abundance in top door-to-door salespeople. Let's take prospecting. I'm quite certain that your top salesperson works appointments first and "ups" second, just the opposite of the rest of your sales force. But even your top sales-

person would have reservations about tearing a page out of a phone book to make cold calls. If you asked your entire sales force to do so, the number of resignations on your desk would directly correspond to the number of salespeople employed. They would argue that time does not permit such outside activity.

The direct salesperson, in contrast, considers cold calls an easy road to success. He or she could make two business calls in the time your salesforce was airing its complaints.

Now, let's ponder the unthinkable. What if you were to ask your sales force to drum up prospects by knocking on some doors in a nearby residential area? It goes without saying that this last proposition would deeply disturb your salesforce (remember, they were ready to hang

it up over cold phone calls), not to mention most dealers.

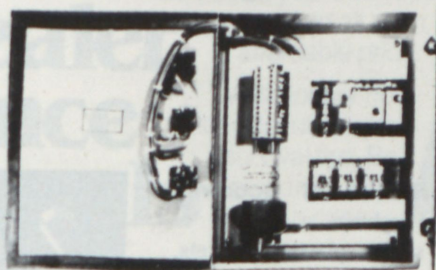
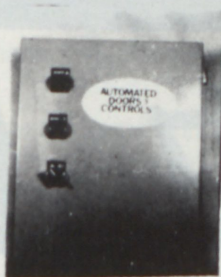
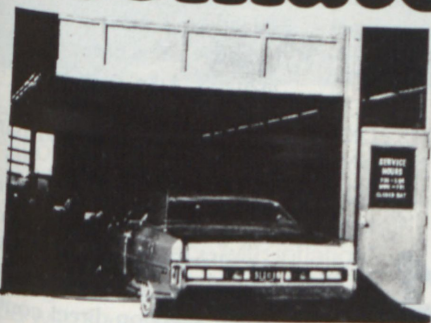
Why on Earth would anyone propose that retail salespeople knock on doors in 1985, one of the auto industry's better years? So you will reduce the chance of having bad times in the future, that's why! If you are one of the small minority of dealers who has ever sent salespeople knocking on doors, I'll bet you did so when the industry was in a slump. And I'll also bet that the practice stopped with the first sign of good times ahead. That's too bad. Because what is needed is a consistent prospecting effort maintained on a daily basis regardless of the current economic climate. That is the way to lasting success.

One of the reasons your salespeople do not turn in delivery counts as consis-

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SYSTEMS:

STOP

CAR APPROACHES

OPEN

DOOR OPENS and remains open until car clears the opening

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August 1985/Automotive Executive 57

SUPPLIERS

Prospecting

tently as you would like is that they are restricted in their sales effort! I'll bet you never thought of it that way. Sure, salespeople should make more phone calls, send more direct mail and work more "ups." But what about all the prospects who do not respond to dealership advertising, mail and phone calls? Why should salespeople be restricted to hunting prospects the indirect way from a showroom floor when they could be directly soliciting prospects with maximum impact?

Please don't misunderstand. I am in no way advocating that dealerships change their way of selling, nor am I trying to give salespeople *carte blanche* to handle deals however they see fit. What I am saying is that your dealership would be better off if your sales force canvassed a residential area for one hour each day under supervision. Prospects contacted directly could be convinced to come to your dealership where a deal can be properly worked with management control. You wouldn't sell a car at a house any more than you would sell a car over

the phone. But X number of contacts leads to Y demonstrations which, in turn, leads to Z sales. Selling is and always will be a numbers proposition. What's needed is a large pool of prospects cultivated from all possible sources—not just those within the dealership's four walls.

Now, here's the unique part of our direct prospecting procedure. For best results, your salespeople should use a service approach. We call it a "customer satisfaction visit" (service mark pending). Since salespeople appearing unannounced on residential doorsteps cannot possibly know what kind of car a prospect may be interested in—let alone know whether or not he or she is even in the market for a car—common sense points to selling a product everyone needs and few receive—service. Everyone needs service. You'd be surprised how many motorists don't know that new-car dealers service most makes. And maybe you'd also be surprised how many people are dissatisfied with their present

car and present dealer. (Inevitably, some are upset with your dealership, too. But what an opportunity to satisfy a customer who otherwise would be lost.)

But wait, there's more. Not only will you blow people's minds by offering doorstep service, you will enhance the image of your sales force and your dealership while also training your sales force. That's right. Training your sales force. I've never seen a salesman yet who knocked on a door and said, "Can I help you?" Your salespeople will learn a proper introduction and greeting. They will also learn how to quickly establish common ground. They will learn to think fast on their feet. They will learn to work sales one step at a time with major emphasis on product demonstration. And, finally, they will learn to work hard and in an enthusiastic manner.

Remember, salespeople cannot stand around a street the way they stand around a showroom without getting run over! As an added bonus, you will attract top salespeople who might bypass an automotive sales career due to its image of laziness. Like it or not, "inside" salespeople as a rule are not perceived as being as energetic and hard-working as "outside" salespeople. The simple fact is that customers prefer to deal with energetic, hard-working people who offer excellent service and follow-up. Further, customers respond favorably to the personal attention direct contact offers.

Perhaps most satisfying of all, each dealership department benefits from direct contact. Your salespeople will enjoy solid results from this soft-sell approach. Since there is no need to enter a home for a sales pitch or product demonstration, your salespeople will find customers highly receptive to the doorstep "service survey" approach. Customers ask about everything from automobile features and service to parts availability and rental cars. For this reason, your salespeople should canvass with a brochure or card depicting your services as well as details about location, phone number, hours, etc. As with phone prospecting, the goal of this "service survey" canvassing is to set up a dealership appointment with

Nifty Ideas

1

Bucket of goodwill.

Purchase a supply of small plastic buckets, have them imprinted with your company name and place car care products (car wash, polish) in each. When a new car is delivered, have your salespeople present the bucket and products as a gift. Customers are very appreciative, and such an action leads to future business.

2

Business club.

Join an existing or create a new "business club," a group of local businesspeople with no conflicting business functions that meets twice a month for breakfast. Normally, a member will speak about his or her own business, or a guest speaker will be brought in. Membership in such a club can result in more leads and more sales for your dealership.

Sometimes insurance alone isn't enough to survive a disaster



For instance....do you have duplicate records in case yours are destroyed? Where would you conduct business until new quarters were ready? Or would you just let your customers go to competitors? Has your insurance kept pace with inflation?

In short, planning now makes it a lot easier to cope with a possible disaster later.

Disaster survival and business interruption tips like these are among the many we've acquired in our 80-plus years of serving businesses like yours. They're part of our professional approach to

insurance management. An approach that includes loss prevention right along with loss protection.

We can provide this same kind of expertise in all areas of insurance: property/casualty, liability, group health and accident, workers comp., even life and retirement plans (in some states). Total

coverage for your personal as well as your business needs. And all at an affordable price.

Write for our new booklet of disaster survival tips. Be prepared, just in case.



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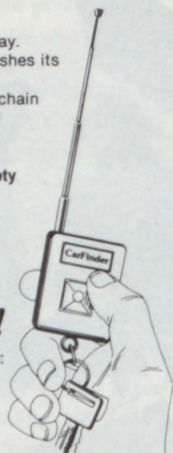
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Circle #3 on Reader Service Card

a qualified prospect. The procedure accomplishes the following:

1. Promotes goodwill and public relations for your dealership—not to mention customer satisfaction.

2. Provides customer service feedback regarding your dealership service and products as well as those of other dealers. What better way to add to your customer base?

3. Sets formal appointment for the purpose of selling goods and services most effectively. Remember: if the prospect isn't interested, he or she knows someone who is. And the service approach makes him or her recommend you.

4. Provides prospects with hand-delivered literature depicting dealership products, services and industry honors.

5. Leaves practically every prospect in a happy state of shock. Most companies never contact a customer, and these prospects will never forget the fact that you did. And on their doorstep no less! Talk about customer satisfaction.

Why wait for a sales slump? Try this new form of prospecting. Not because you have to, but because it represents plus business. You will be amazed at the results. You will increase your showroom traffic counts, promote goodwill and customer satisfaction, improve training, attract the top salespeople you've been missing, and enjoy the bottom-line results that come from consistent prospecting on a daily basis regardless of economic conditions.

As George Bernard Shaw once said, "The people who get on in this world are the ones who make their own times and conditions." How true that statement is. When your sales force makes things happen rather than waits for things to happen, you won't believe the results. As we used to say at Electrolux, "Opportunity knocks only when you do." That says it. And says it well. ■


William M. Graves Jr. is vice president and general manager of Brandon Chrysler-Plymouth, Brandon, FL. Graves is an M.B.A. graduate of the Roy E. Crummer Graduate School at Rollins College.

BUSINESS SERVICES

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Garrett Computer Services Inc.
Invitational Promotions Inc.
Marketing Plans Inc.
Pennzoil Products Co.
O. R. Smith & Associates
Wheeler Associates Inc.

Computer Systems/Software

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Armor Systems Inc.
Autotec Computer Systems
Auto Tell Services Inc.
Balance Computer Corp.
CAMS (Computerized Automotive Management Systems Inc.)
Cars/Dyatron
Coin Financial Systems
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Garrett Computer Services Inc.
Hon Computing Systems Inc.
IBM Corp.
IC Engineering Inc.
Kontax II
KMG Main Hurdman-C.P.A.s
McCracken Software Inc.
Management Computer Services
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Mnemos Inc.
Monumental General Financial Service Corp.
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Oakleaf Corp.
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Tricom Systems Corp.
Universal Computer Systems Inc.

Western Diversified Services Inc.
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The Alec Group
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Automotive Dealers Marketing Inc.
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Continuity Programs Inc.
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Coin Financial Systems
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Deep Seal International
Deiss & Associates Inc.
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Edge Learning Institute
Finance, Planning & Management
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IC Engineering Inc.
Invitational Promotions Inc.
KMG Main Hurdman-C.P.A.s
Life Investors Inc.
LoKost Marketing Corp.
Marketing Plans Inc.
Management Computer Services
Net Profit Inc.
Mike Nicholes Inc.
Art Niemann & Co.
Paige-Ruane Inc.
The Patten Corp.
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Security Pacific Credit Corp.
Sikkens Car Refinishes
Karl Singer & Associates Inc.
O. R. Smith & Associates
Spear Management Systems
Subaru Financial Services Inc.
Thermo-Guard Inc.
Wheeler Associates Inc.
Wheelways Insurance and Financial Services

Flooring

Endura Division/Biltrite Corp.

Heating

Detroit Radiant Products Co.
Kalgo Electronics Co. Inc.
Panelbloc Corp.
Perfection Schwank Infra Red Division
Schwank Inc.

Lighting

Elsco Lighting Products Inc.
FRB Associates
Guardian Light Co.
Jet-Phillips Division/JW Lighting
LSI Lighting Systems Inc.
J.H. Spaulding Co.

Miscellaneous

Automated Doors & Controls

Resource Management

BT Associates
Fallucca Industries
Hazco International Inc.
Mid-America Environmental Service Inc.
Racor Division/Parker Hannifin Corp.

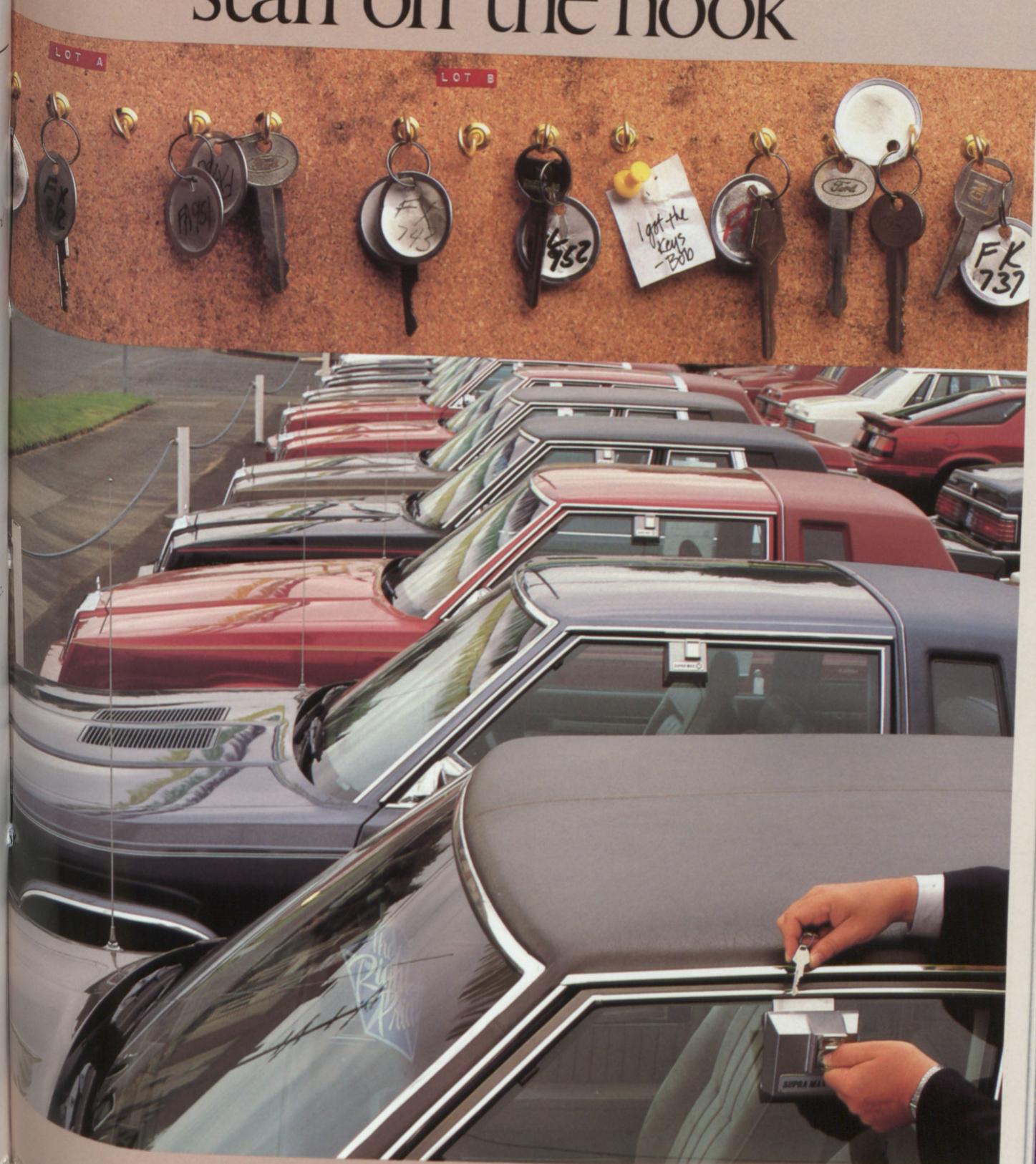
Security Systems

Aiphone Intercom Systems
Kalgo Electronics Co. Inc.
Safelok Systems Inc.
The Silent Watchman Corp.
Supra Products
Theft-Shield International

Signs

Automotive International Inc.
Autosport Specialty Inc.
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FMC Corp.
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Supra gets your sales staff off the hook



and back on the lot selling.

Supra Auto Key

If you're losing sales while your sales staff is hunting for keys, let Supra get you off the hook.

With an auto KeySafe™ from Supra, your keys will remain safely with the vehicle. Only Supra's Title® key can open the KeySafes™. This one-key system eliminates losses, duplications, and confusing key boards.

Supra's auto KeySafes™ can also help reduce theft and vandalism by keeping keys locked up when not in use.

The Supra line of auto KeySafes™ offers increased security, increased control, and decreased confusion.

SUPRA WILL KEEP YOUR SALES STAFF SELLING.

Simply attach a Supra KeySafe™ to each vehicle on your lot. The KeySafe's™ sturdy key chamber holds the vehicle key safely inside.

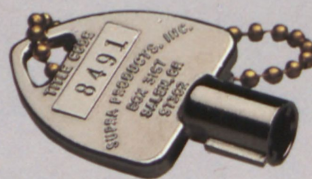
Your salespeople carry just one key (the Title® Key) for access to any vehicle on your lot.

You've got better customer control because vehicle keys stay with their respective vehicles. And salespeople stay with their customers, throughout the entire sales process.

This way, customers can see any vehicle at any time and receive a professional, uninterrupted sales presentation. This can mean a faster, lower-cost sale for your dealership.

SUPRA WILL HELP SECURE YOUR LOT.

With a Supra KeySafe™ system, vehicles are always locked – except when being



Title Key design that locksmiths are not equipped to duplicate.



shown. Just as important, there are fewer chances for keys to fall into the wrong hands. Lost and misplaced keys will be practically eliminated, so there's less time and money spent duplicating keys.

THE TITLE® KEY.

Unlike most keys, Supra's Title® keys aren't made from blanks. Each has its own

Stainless steel hanger is securely riveted to the box.

Key vault capacity is 33 percent bigger than other models.

Padded back protects car windows.

Painted finish is epoxy-tough, rust resistant and attractive.



Rubber seal keeps out water.

1/4" heavy-duty steel pin secures the lid on a hinge. This helps to protect the window by not allowing the box to open too far.

Dry Lock Lid shields lock mechanism from corrosion due to dirt, weather, etc.

Extra thick walls provide rugged key protection.

Safe Systems™

combination cast inside. Locksmiths are not equipped to duplicate them.

Supra provides you with lease agreements to use with your salespeople to help control Title® key access. Each key is coded with your combination and a serial number which corresponds to your lease agreement.

Only authorized members at your dealership can order extra Title® keys with your combination. Also, Supra can change your key combination to update your security at any time.



THE SUPRA-MAX.

When you want the best, look to the Supra-MAX. No other automotive key safe product can match its strength, durability, and size. The Supra-MAX is fast becoming the most popular auto key safe sold anywhere.

The Supra-MAX hangs easily from the

rolled-up window of a locked car to keep keys safe and handy.

SECURITY SUGGESTIONS.

To maximize the effectiveness of your total sales program, Supra encourages you to always be conscious of your lot's security. Many of our customers have found these suggestions extremely helpful:

1. Remove the keys from the key safes.
 - At night throughout the lot or around the perimeter of the lot to create a natural fence.
 - On days when the lot is closed.
2. Block driveways with one or two locked cars when the lot is closed.
3. Control Title® keys.
 - Use a lease agreement which requires a deposit from each Title® key holder.
 - Issue keys for a salesperson's "floor time" only.
 - Require salespeople to return keys when they go off duty.
4. Use nameplates on your KeySafes™ to identify your dealership.

OTHER SUPRA KEYSAFE™ USES.

Many managers of car rental agencies, fleets, service departments, and parking garages have learned to rely on Supra KeySafes™. Efficient control of customers' keys is greatly simplified when the keys stay securely with the vehicles at all times. This results in increased operating efficiency and greater customer satisfaction.

THE SUPRA-SA.

If you're looking for a small, lightweight, automotive key safe, the Supra-SA is the answer. It features durable, noncorrosive, die cast metal construction with a stainless steel hanger, padded back, and rubber-sealed Dry Lock Lid. The Supra-SA also utilizes Supra's unique Title® key system.



THE SUPRA-C.

For truck, RV, and mobile home dealers, the Supra-C is specially designed to keep keys within reach. High windows on large vehicles make most auto key safes impractical to use; but the Supra-C hangs like a padlock from the side view mirror, outside door handle, or other convenient location.



THE SUPRA GUARANTEE.

Supra has been designing and manufacturing quality KeySafes™ for 28 years. The care and craftsmanship that go into Supra products make the company proud to stand behind its work. All Supra products are fully guaranteed against defects in workmanship and/or materials for one year.

Super sales talk from Supra customers.

"We use Supra key boxes on both new and used cars for all three of our dealerships. Now we serve our customers more efficiently. We used to keep them waiting while we searched for misplaced keys. But with Supra locks, we've shaved about 15-20 minutes of unnecessary time off each sales presentation."

DAVID HANSON,
Bill Hanna Ford-BMW-Saab,
Shreveport, La.

"We haven't had a single break in since we started using them."

"Our salespeople like the idea of using a Supra lock system because it adds to the professionalism of the sales presentation. They don't have to run around looking for keys while their customers wait. We were a bit skeptical at first, but the system proved to be a big success."

ARTHUR MANDRY,
General Manager, Cavender Oldsmobile,
San Antonio, Texas.

"It adds to the professionalism of the sales presentation."

"We looked at other key boxes but none could match Supra for quality. And since we started using Supra, we save about two hours a day in set-up time. Before Supra, we unlocked all the cars every morning and locked them again at night. Now the keys stay safely with the cars. And the cars stay locked. We haven't had a single break in since we started using them. That's down from about one per week with our last system."

RICHARD VAN DER PORT,
Don Foss International, Detroit, Mich.,
largest used car dealer in the U.S.

"Supra locks are absolutely phenomenal. We use them for new and used cars - it's the best system we've had in the 81 years we've been in business. I don't know why they need advertising, they sell themselves."

VINCE MEYER,
Ten Voorde Ford, St. Cloud, Minn.,
oldest Ford Dealer in the World.

"It's the best system we've had in the 81 years we've been in business."

"We've been using the Supra Max for about two years. With our old key ring system, we lost keys almost every day. But we haven't lost a single key since we started using Supra. The biggest advantage, though, is that the salesman doesn't have to interrupt his sales presentation to run for the key ring. I recommend Supra locks highly."

KEN ADAMS,
General Manager, Alexander Chrysler Plymouth,
Portland, OR.



For more information
or to order call:

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SUPRA KEY CONTROL LTD. Mailing Address: Box 8963, Ottawa, Ontario K1G 3J2, (613) 523-1280. Telex #053-4838.

SALES SUPPORT



SALES
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INDEX OF
SUPPLIERS



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SALES SUPPORT



Today's savvy dealers, survivors of the recent recession, are always on the lookout for new profit opportunities. High on the list of growth areas are used cars, leasing and F&I.

By J. Ferron

ADDRESSING THE FUTURE: TEN QUESTIONS FOR REVIEW

The future of the auto business is going to be very competitive, with demanding customers prepared to shift their buying intentions more quickly than ever before. This new environment, with all its uncertainty and risk will, however, be the natural and ideal playing field for entrepreneurs. Those who will earn the profits in the future will be those able to deliver customer satisfaction. This will hinge on improving productivity, improving communication between employees and management, developing talent and building the employee teams needed to take advantage of coming opportunities. We offer the following 10 questions for dealers and their management teams to

consider as starting points for achieving that goal.

1. What opportunities exist (or can be created) which this dealership will capitalize on in the coming year?

The answer to this question is usually not obvious. Solicit the ideas of every employee.

Perform an annual survey asking each employee for ideas about where opportunities lie. Make a big deal about getting the ideas. Consider each seriously, follow up on the best and reward ideas that work!

Who else can better candidly assess the strengths and weaknesses of a business than the people who work there?

2. How does this business look in the eyes of a banker?

In the past, having a better than average net profit before tax was sufficient to meet banker approval. However, as the tax bite has increased over the years, bankers have shifted emphasis to return on investment, and now increasingly judge the health of a business on its return on assets. Return on assets more accurately reflects the efficiency of a business in and of itself and in comparison with other investments. How does your business look in this light?

Also, consider these ratios to judge the health of the dealership:

- Solvency ratios—calculate liquidity and forecast cash flow.
- Debt serviceability—net profit before interest charges and tax divided by interest charges; number of times interest is earned each year.
- Use of assets—sales divided by total



It's What Happens Down The Road That Counts

Out there alone. When the sun is an ember. When darkness hovers beyond a distant ridge. When dust and shadow share the road with you—and nothing more. You need to know one thing.

First American will be there when you need us.

Indeed, our extended service contract program can yield the driver up to 5 years worth of down the road confidence. No matter how many miles he drives.

And it can make the dealer more confident too. In fact, a lot more confident. A flexible cash commission on every sale, retail prices for work done under service contract, returns on fully earned contracts, and investment income on reserves—all mean a smoother ride when the going's good. And security when the going's rough.

More importantly, as the oldest and strongest independent in the insured service contract industry, we promise something others really can't.

Our presence.

Down the road.

Where it counts.



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Circle #26 on Reader Service Card

"Customer satisfaction in the future will hinge on improving productivity, improving communication between employees and management and building the employee teams needed to take advantage of coming opportunities."

assets; inventory turnover; accounts receivable divided by average monthly sales rate.

After you examine these ratios, have an independent financial analyst perform a separate analysis.

3. Do I have the right franchise(s) for the future?

Review the products you and your competition sell. Read your franchise agreement and ask, "Am I giving my manufacturer or distributor everything they bargained for under the specific terms of our franchise agreement?" "Are the obligations I have assumed by this contract worth the return I am likely to get in the future?" "If I want or need another franchise, what steps can I follow to secure it?"

4. What changes in my current or potential customers can I document that have taken place in the past year?

The key here is to know your individual markets and primary customers. Then, keep an active "market file" of any information you can gather about the trade area of your dealership. By the end of a year there should be newspaper clips about growth trends, buying patterns, traffic flow, local economic trends, real estate values, etc. Information provided by your manufacturer can point to your specific vehicle buyers.

You can also get a lot of information right off your floor traffic cards, ROs, finance applications, etc. Use your computer to start trending important data and use your printouts as first entries into next year's file.

5. How do my customers see this dealership?

The image a dealership has in the community is no less important than the ones filled by the product(s) sold by the dealership. It is something that must be studied and nurtured as professionally as possible.

Try to break out of the "comfort zone" of thinking everybody likes you and that all your employees are building customer loyalty.

Read the letters customers have written to you or your manufacturer. Evaluate what your dealership looks like to the public in advertisements, signs and wait-

ing and write-up areas. Evaluate how your employees look and act. Ask for (or survey) independent and impartial opinions of your dealership's image. No matter what the answers are, have an employee meeting to discuss the importance of showing customers that they are appreciated and that your people value their business.

6. Is this location getting better or worse?

Gather the most recent map of your trade area showing new growth. Collect whatever local demographic data you can. Note where other dealerships selling to similar customers are located. Is your trade area getting bigger?

Study every local industry change. What types of companies are coming into your area? Which are leaving or shrinking? Determine what this means to the employment and customer base in your area. Get a copy of any market studies your manufacturer has done relevant to your dealership.

Try taking pictures of the major street approaches to your dealership every year and compare them. The photographs may reveal some aging in area stores that you have overlooked. Ask yourself what your property is actually worth at current market valuation. Log the annual appreciation rate (if any) and consider the land's value in five years.

7. How effective is my evaluation of my management team?

Whether you are evaluating your partner or the managers in multiple dealerships, this task has to be taken seriously. People are the key to profitability and delivered satisfaction. You should set aside time to sit down with each of your managers to apprise them of your objectives. Be sure to mention their strengths as well as weaknesses that can be im-

proved. Do they understand your goals as a dealer? Do they set goals for their employees and provide valid feedback to them?

Ask each what they plan to do to develop themselves. Finish the interviews with questions about what you, the dealer, can do to help the managers perform their jobs better.

8. What am I giving back to my community and industry?

This is self-explanatory. The importance of a dealer's role in the community and industry is enhanced only when individuals allocate priority to becoming involved.

9. If I die tomorrow, what happens to my dealership and my family?

More than two-thirds of all the dealer wills reviewed by NADA's estate planning experts have significant problems. Mostly, they were either written too long ago to be effective, or they don't comply with current tax laws. Titling of property and a plan for its distribution are frequently mishandled. (This is particularly important for spouses of dealers since they must show ownership to qualify for unified tax deductions.)

Seek expert advice to make sure that the valuation of your business is proper, is frozen for estate purposes and that a proper successor is provided with money to carry on the business.

10. What is the single most important action I need to take to prepare my dealership and employees for the challenges ahead?

Write your goals down, set a deadline, then act. Your employees expect leadership. Remember: organizations, like trees, die from the top down. ■

J. Ferron, executive director of NADA's Industry Analysis and Dealership Operations Group, is co-author of "Betting On The Franchise," an in-depth look at the future of the auto and truck franchise system. This article is excerpted from that book. To purchase the book, send \$12.95 (\$19.95 for non-NADA members) plus \$3.50 postage and handling to the Resource Link, 2906 E. Ponce DeLeon, Decatur, GA 30030. (800) 241-7785.

IMPROVING THE PERFORMANCE OF USED CAR OPERATIONS

With the limited number of profit centers in a dealership, a dealer can't really afford to ignore a single one. Due to time constraints, however, dealers sometimes can concentrate only on two or three departments and must let the others fend for themselves. One department that is often left like an unwanted orphan is used cars. This can be a mistake, however, because the used-car department has tremendous profit potential.

At the 1985 NADA Convention, Bud Greenwood, president of Greenwood Chevrolet in Youngstown, OH, and Jack Stanko, general manager of Herb Galles Chevrolet in Albuquerque, NM, discussed the profit potential of the used-car department and outlined methods by which every dealer can improve the department's performance.

Dealer Commitment

For Greenwood, the success or failure of the used-car department is read on the bottom line. As a member of an NADA 20 Group, Greenwood has the opportunity to rate the performance of his used-car department not only by his own standards, but against those of other dealers.

"In my 20 Group, the most profitable used-car operation creates about \$111,000 in used-car gross profit per month," Greenwood says. The least profitable dealer generates only \$30,000."

This monthly \$80,000 differential between high and low translates into a difference of almost \$1 million in gross profit on an annual basis.

"There are a lot of reasons for that gap, but the most important one is that the high man in our group is very committed to the used-car business," Greenwood says. "Every dealer is probably aware of the potential of used cars, but I believe that a 35- to 40-percent return on invest-

ment is possible."

At Herb Galles Chevrolet, the used-car department is a big money-maker, accounting for one-third of the dealership's net profit. According to Stanko, the used-car department came in just under a seven-figure net profit in 1984. Gross profits were \$1.4 million, and the average per-unit gross profit after reconditioning was \$1,250.

"The outlook for the used-car market looks great," Stanko says. "There are now almost 107 million cars on the road and many of them are going to need to be replaced soon. I think that if I were betting on the industry's future, I'd bet on the used-car business more than any other segment."

Appraisal and Personality

When appraising a used vehicle, Greenwood Chevrolet uses a spread, usually \$200 to \$300. Because of this spread, the appraisal becomes a key variable in the sale, especially if the vehicle has what Greenwood calls a "high personality quotient."

"I like to think that every used car has a personality," he says. "There are a number of things that go into that personality. The most important factor, however, is basic—is it a good unit or a bad unit? If it's not a good unit, there's no point in making an effort to recondition it. There has to be something to start with."

Once a dealer has determined that the vehicle is a good unit, he must then look at the other aspects that make up the personality. Mileage is an important factor, as is the sales history. And, of course, special equipment adds value.

"Every dealer knows the problems of selling a basic vehicle," Greenwood says.

In working with his used-car department, Greenwood has established sev-

eral categories for used vehicles, based on age, source and profit potential.

The first category consists of current or one-year-old automobiles. These tend to come from the factory, leasing companies and a few trades.

"The gross profit potential in this category is good," Greenwood says, "but not as good as it used to be."

Category two is the 1981, 1982 and 1983 models. This category is large and has a good profit potential. Most of the vehicles come through trades, curb buys and auctions.

In category three, 1978 through 1980 models, the gross profit potential is generally higher than in categories one and two. Once again, most of these vehicles come in trade or in auction.

Then, there is category four.

"This is a controversial group and it isn't for everyone," Greenwood says. "This category includes the older vehicles that are actually mechanically safe and roadworthy. This is a group where there is some gross profit potential available. Admittedly, we're dealing with smaller numbers, but each sale is one step closer to attaining the gross profit goal for the month."

Many times a dealer can sell a category-four vehicle without reconditioning and still earn a fair amount of profit. If, however, the vehicle has a high personality quotient, the dealership should give it priority.

"We put those cars in front of everything else," Greenwood says. "We recondition them and do a really good job with them. Then we get all the salespeople to drive them and make a real production of the whole thing. Then we spiff them immediately."

Personnel and Spiffs

Good salespeople make the used-car department. Without them, dealer commitment and financial planning will be for naught, as customers will visit the used-car department but buy elsewhere. Even customers who know exactly what they want and find it in the lot still have to be sold.

"A good used-car department needs

good salespeople," Greenwood says. "Achievers, not sustainers. The people must have strong ego drives and a high degree of empathy."

Managing these individuals, however, can be difficult, but a strong, definite organization within which each can set and meet his or her own goals often yields high profits.

"We ask each of our salespeople to establish monthly and yearly goals," Greenwood says. "We also ask them to establish goals in terms of pay, the number of units they plan to sell and the gross profit they expect to create. We monitor these goals closely and find them to be very helpful."

At Herb Galles Chevrolet, Jack Stanko

goes even farther, regularly using large spiffs and bonuses to keep the sales staff highly motivated.

"We tell the salespeople that whoever gets the highest gross profit deal for the quarter gets to keep the gross as a bonus," says Stanko. "We are having more \$2,000 deals written than ever before. Right now our high gross deal for

Nifty Ideas

1 **Living sales meetings.** Assign a salesperson to present a "six-position sell" on a particular vehicle at each of your sales meetings. Because the salesperson is making the presentation to his or her peers, he or she is motivated to research the vehicle and become an expert on that product. The sales staff learns more quickly from a face-to-face presentation than from a videotape or written material, and management has an opportunity to preview the type of sales presentation made on the showroom floor.

2 **Used-car mall display.** A unique way to display your used cars is by videotape in a local shopping mall. A kiosk fitted with video screens on both sides can easily be set up, displaying a running tape of your used-car inventory with individual cars shown from all sides. The kiosk can be tended during high traffic hours by part-time help from an employment

agency with a phone line to the dealership to refer inquiries to salespeople.

3 **"Adopt" a customer.** Send the following message to customers of former salespeople: "I was going through our records recently and I discovered a disturbing fact. Since you bought your car in (year), your salesperson has left the business. This means you are left to your own devices, alone and unprotected but not necessarily unloved. After serious consideration, the solution to this problem became simple—adoption."

The salesperson then offers to adopt the customer "to help protect you from the slings and arrows of disinterest and confusion."

4 **Displaying the proof.** Go to a local junk yard and purchase a rusted, paint-faded car door and old, worn carpeted mats. Cut down the door to show the inside

effect of rust, and clean and then treat half the mat with a protective. Set up a display in your showroom with these items and aftermarket products.

After you sell a vehicle, walk the customer over to the display. Show the effects of rust and paint oxidation on untreated vehicles, and demonstrate the protective abilities of the fabric protector.

5 **Cassette messages.** More and more dealers are putting prerecorded cassettes in demo cars. The cassette presents pertinent facts on the vehicles during the test drive, and never forgets anything important.

6 **Polaroid prospecting.** For undecided prospects, take a Polaroid picture of the car they're interested in sitting in their driveway. Just leave the picture and your card in the mailbox and wait for their call.

the quarter is \$2,980 on a used car. And I know it's going to go up before the end of the quarter."

Stanko also runs regular weekend bonuses. He puts a \$200 to \$300 cash spiff on whoever sells the most cars for a weekend. He also offers another \$200 to \$300 bonus for whoever writes the highest gross deal for the weekend.

"Gear bonuses not only for volume, but also for gross profit," Stanko recommends. "Some of the salespeople will pick up some of those big bonuses, but in the long run it won't cost. It comes back ten-fold."

One other area in the used-car department that dealers should keep tabs on is the lot charge. Greenwood recommends using a fairly high lot charge.

"Today, it's not uncommon to use a minimum of \$200 or even \$250, or maybe a percentage, such as 5 percent," Greenwood says. "Dealers who don't do this leave a lot of money on the table."

Advertising

"A lot of dealers neglect used cars when it comes to merchandising and promotion," Stanko says. "We don't."

Stanko believes that strong and consistent advertising is necessary for a successful used-car department. Once a month, the department heads at Herb Galles meet and work out an ad budget and theme for the coming month. Each month, the dealership runs one full-page used-car ad and one special sale for used cars.

"We end up devoting about 25 percent of our advertising budget to used cars—or \$10,000 a month," Stanko says. "On average, we spend about \$94 per used car retail on advertising."

"The main point about good advertising is consistency," says Stanko. "A dealer can't just start merchandising and advertising because he has had three slow months of used car sales. He has to hang in there and advertise every month."

Based on a workshop presentation at the 1985 NADA Convention. Edited by Gerry Donohue.

BOOSTING DEALER PROFITS THROUGH LEASING BUSINESS

By Dennis J. Carey

Many automobile dealers have found that leasing programs significantly increase profits.

But despite the proven boost in sales that leasing achieves, other dealers have yet to join the ranks. No doubt some resist for lack of understanding how leasing works or how it would apply to their own dealerships. Still others are content to rely solely on "tried and true" conventional sales. Whatever the reason, dealers without leasing programs forfeit opportunities to build profit.

It's not surprising that today's competitive environment compels dealers to recognize how the benefits of leasing can influence their business. In some instances, increases in a dealer's unit volume and gross profit can be directly traced to leasing. Improvements in cash flow and customer retention can also result. Brisk service and parts sales, increased travel rates, and the capability to cross franchise lines and build a reliable pool for quality used cars are other important benefits not readily apparent.

Leasing Increases Sales

Leasing is structured to capture lost sales incurred at every successful dealership. It's squarely aimed at "walkers," those three out of four prospects who intend to buy a car but who leave the showroom without making a purchase.

Using leasing's powerful built-in sales features, dealers can combat consumer resistance to high sticker prices, hefty down payments and high monthly installments—the most commonly cited reasons for failure to buy. Unlike direct purchase, leasing usually requires no down payment, and monthly payments are typically lower than conventional purchase installments.

Higher Grosses Attributed to Leasing
Since sales through third-party leasing companies are customarily at full sticker price, dealers signing leases experience higher-than-average unit grosses. Domestic dealers who experience a conventional \$750 gross from a single unit sale often generate a \$1,500 gross through leasing.

This positive unit gross is multiplied as the number of lease-option sales increases. For instance, if a successful dealership with a 25-percent closing ratio gets 250 new- and used-car sales out of every 1,000 prospective buyers, a lease-closing ratio of just half of that, applied to the 750 walkers, will result in putting over 90 more cars on the road. The result is translated into a positive impact on the dealer's gross profit margin.

Customer Loyalty Enhanced
Statistics have demonstrated that when professionally serviced, leasing customers will lease again, contracting for a second, third and even a fourth successive car. The repeat business ultimately assures the dealership of a valuable commodity: a solid and loyal customer base.

While this strong base builds over the long term, short-term leasing benefits are immediate. The lease-purchase presents the dealer with fast and full cash payment, with no credit risk through a third party.

Indirect Benefits

While leasing's effect on cash flow and profit margin is almost immediate, there are other benefits that accrue throughout the full lease term. For one, leasing builds back-end business for dealers' maintenance and repair services. Lessees generally extend their service responsibility

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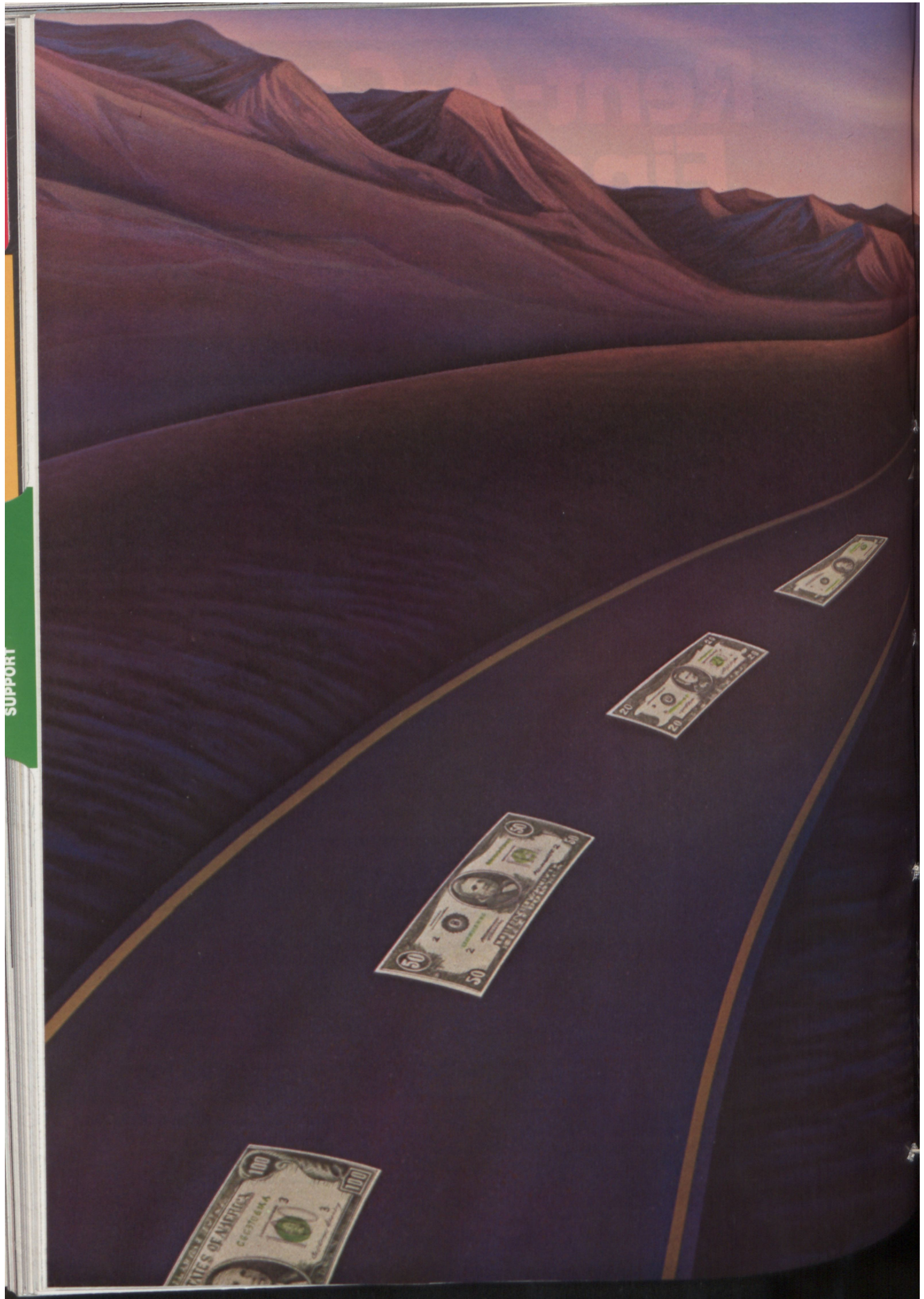
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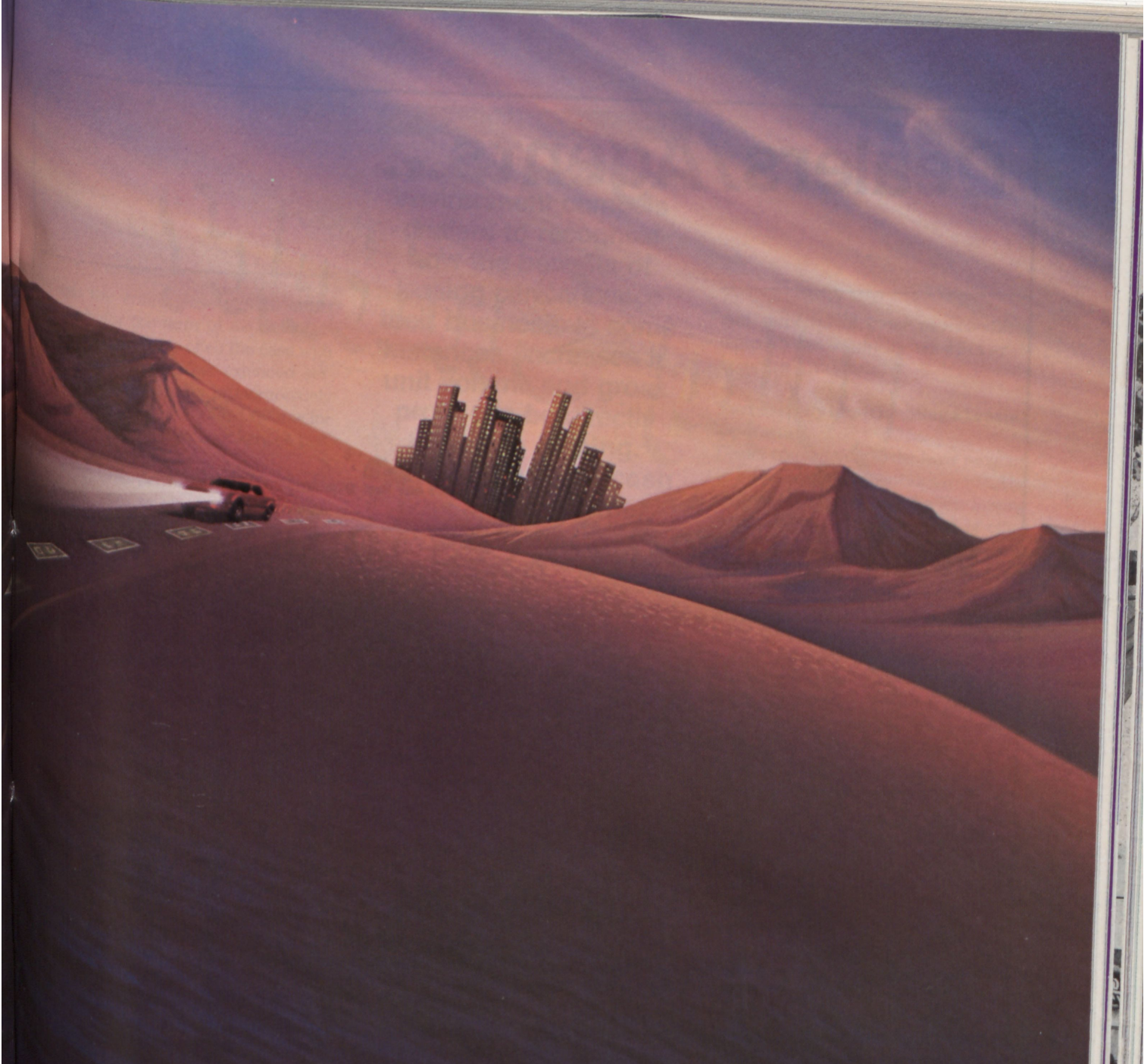
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"Today's competitive environment compels dealers to recognize how the benefits of leasing can influence their business. In some instances, increases in unit volume and gross profit can be directly traced to leasing. Improvements in cash flow and customer retention can also result."

through the entire lease period, rather than only for the term of the manufacturer's warranty as is often the case with conventional sales. This extended service penetration means proportionately greater parts sales plus added volume for more efficient utilization of service personnel.

Leasing also permits dealers to cross franchise lines to close sales. In these cases where a customer desires a model that's unavailable, the dealer can offer another make.

Yet another, less obvious, benefit involves travel rates—the basis under which many manufacturers allocate vehicles. As leasing builds unit sales, dealers improve their travel rate, a valuable factor when competition is fierce for prompt delivery of new cars. Furthermore, leasing creates a ready source of used cars. When a lease expires, if the customer does not buy the car, the dealer has the option to purchase it from the leasing company. The former leased car then translates into a marketable used car, one the dealer has serviced and "knows."

Selecting a Leasing Source

There's a wide selection of leasing companies offering services to automotive dealers, and dealers should be alert to the features offered by each. The final selection of the third-party lessor, however, should depend primarily on a dealer's particular needs.

Dealers should look for a lease service with a flexible range of products and programs. Many companies are willing to lease a broad selection of vehicles; they should offer them through a comprehensive package of lease products. For example, the company's list of eligible vehicles will include most makes and models of automobiles plus trucks ranging from light-duty to one-ton; their programs should also be wide-ranging, applying to both consumer and business leasing and offering either open- or closed-end options and a choice of 24-, 36- or 48-month terms. In open-end programs, the lessee is obligated to guarantee (or pay) a portion of the car's residual value when the lease is terminated; a sum

not exceeding three times the average monthly payment. The closed-end lease places this obligation with the lessor.

Dealers should also be alert to features that maximize profit potential. For example, a lease-sale should result in prompt credit turnaround and cash payment up front to the dealer at full manufacturer's suggested retail price (MSRP). Full payment for dealer-installed accessories and preparation charges will also provide significant opportunities for revenue.

Full-service support and training are less apparent but nonetheless valuable features that can be incorporated into most major programs. All billing, credit approvals and collections are normally provided through the lease company. Fast, toll-free access to the lease company's field offices should be made available; in some cases dealers are actually provided with computers and programming assistance to facilitate processing and communication.

In other instances, the lease company may offer its own marketing materials; point-of-purchase displays that help dealers generate interest in leasing and warranty and insurance packages that help close the sale. Computer-generated renewal notices will also be in the package to alert the dealers' customers to approaching lease expirations.

Dealer training is another key support service. Lease companies will provide their clients with intensive initial sales training, followed by a basic primer in leasing. Often this training is periodically updated and reinforced with seminars and workshops. Frequent follow-up calls, updated quarterly auto-lease handbooks

and dispersal of other merchandising materials can also be included in a major company's programs.

Successfully Implementing a Leasing Operation

Dealer commitment to the lease program is an essential ingredient for success. The business principal must be a firm leasing advocate and have the support of other management. Such commitment will head off potential personnel disruptions that may arise from changes in compensation and customer flow precipitated by the leasing program.

Evaluating and managing customer flow will significantly add to the ease with which a leasing program is implemented. By conducting a survey of sales representatives, sales managers and finance managers, a lease company can determine how customers are handled when they walk through the door and what steps are necessary to increase the dealership's closing ratio.

Centralizing responsibilities can be another key element in the successful leasing program. Experience has proven that a leasing operation functions most effectively when a single person is designated to control it. The control manager should possess strong sales and administrative abilities combined with a strong desire to succeed. Responsibilities will include making sure that an effort is made to convert each walker to a leasing customer, selling add-on products, supervising the completion of all leases, acting as liaison between the dealership and the leasing company and promoting the overall concept of leasing both inside and outside the dealership.

Auto industry experts predict that more than half of all new cars on the road will be leased by the end of the decade. This sizable market, when combined with leasing's boost to profitability, will stimulate dealers without leasing programs to evaluate this valuable product. Every year, evidence continues to mount as dealers present new sales and earnings reports that attest to the real benefits of leasing.

The result of the growing trend towards

leasing is expected to impact on all levels of the automobile industry in addition to consumers. Manufacturers and dealers will sell more cars, while consumers will receive an efficient and cost-effective

level of service that meets their needs. ■

Dennis J. Carey is vice president and general manager of General Electric Credit's Auto Financial Services Operation.

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CONVERTING F&I INTO DEALERSHIP PROFIT GAINS

"I don't think dealers realize the profit potential of finance and insurance," says Ray Elsie, a Florida consultant for dealership F&I departments. "I'm constantly amazed by the lack of interest and knowledge of dealers and management people about F&I."

As a frequent NADA 20-Group speaker, Elsie has seen the value of a strong F&I department to a dealership. He says in the financial statements of the 20-Group dealers, F&I accounts for between 20 and 100 percent of the net income per retail unit.

"The average is somewhere around 35 to 45 percent," Elsie says. "Yet many dealers don't bother to take advantage of the opportunity."

Elsie believes F&I should be the most important department in the dealership, and F&I personnel should be experienced and well-compensated.

The Bottom Line

"Most dealers don't realize that F&I is a sales job, not a finance and insurance job," Elsie says. "The people in the F&I office have to be salespeople. In fact, they have to be the best salespeople in the dealership."

Further, Elsie asserts that sales expertise is even more important than dealership experience: "F&I is not the car business. F&I is money. Money and how to protect it. In fact, the car is an unnecessary factor because all we're talking about in the F&I office is the bottom line."

The F&I person has three primary sales jobs. He must sell the salespeople and managers in the dealership on his ability to help sell cars; he must sell the lenders on his ability to get them good finance customers; and he must sell the dealership customers on his ability to save them money.

Selling the dealership salespeople and

managers may be the most difficult job. "Salespeople don't like F&I people," Elsie says. "The F&I person has to sell the salespeople constantly on what he can do for them."

"I believe that F&I people are responsible for 15 percent of the new cars sold."

Elsie does not agree with dealership policies that require salespeople to turn their customers over to the F&I office. He believes such policies create a bad relationship between the salespeople and the F&I office. In the dealerships in which he consults, Elsie tries to instill a positive attitude among the salespeople towards the F&I office, because if they are positive, they will transmit that attitude to the customers.

"F&I people have 15 minutes to make as much, if not more, than was made over the four hours or three days or two weeks that it took to sell the car," Elsie says. "There are no comebacks. They have to sell the customers now. So they have to have the support of the salespeople or they're not going to do it."

"Getting it done" can mean a lot of money for the dealership. According to Elsie, the average F&I deal in Florida is about \$690.

"And those are all good dollars, minus a few chargebacks here and there," he says. "You can spend them right now."

The second sales job is getting the lenders to buy the customer financing, and this job can be very difficult if the F&I people are not getting good customers, particularly cash conversions.

"If all they're sending to the bank are lay-down finance customers, they're sending a lot of marginal 'paper,'" Elsie says. "Cash conversions are important not only from a profit point of view but for improving the quality of your 'paper.'"

"Every cash conversion should result in the sale of two more cars in the dealership because it's a good credit deal."

person can quickly convince the customer that the best way is to finance it.

"Anyone who pays cash for a car is making a mistake," Elsie says. "I give my

all to get everybody to finance a new car. I just bought a new car and I financed it."

Elsie says there are numerous ways to convince a cash buyer to finance the new

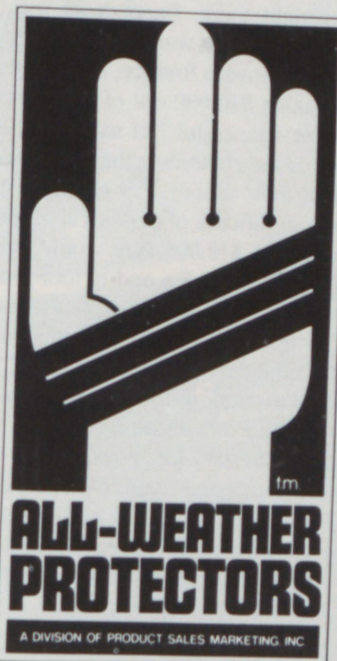
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Finance and Insurance

car, but none of them will work if the F&I people do not first establish a rapport with the customer.

"F&I people have to establish credibility immediately," Elsie says. "They should talk to the customers about anything. Get them relaxed. Be a nice person."

Next comes the sale.

"I've got a cash buyer," Elsie assumes. "He or she is going to pay \$10,000. After spending a couple of minutes with them, I look at the buyer's order for a couple of seconds and then say 'Your monthly payments are going to be \$281 per month.' It's amazing how many times it's all over right there. Deep down inside cash buyers are just waiting for someone to tell them how to finance, because it's no fun taking \$10,000 out of the bank."

Another successful F&I sales method is showing the customers the investment power of their money. For example, by buying a certificate of deposit at 12 percent with the \$10,000 they would have paid for the car, at the end of four years the customers will earn the interest from the CD—giving them an effective discount on the car—and the principle.

Elsie also cautions that the certain way to complicate or lose an F&I deal is for salespeople to talk too much about the Annual Percentage Rate (APR). Once APR comes into the transaction, the customer immediately becomes a comparison shopper, searching all over town for a .01-percent better deal.

A Fantastic Buy

The second half of F&I—insurance—is equally important to both the customer and the dealership, Elsie says, but suffers from an unjustly poor reputation.

"Everybody believes that credit life insurance is the worst life insurance program in the world," he asserts. "They're wrong. It's a fantastic buy."

Elsie says that few people know the actual cost of credit life insurance. In Florida, the cost is \$.60 per \$100 per year, or \$6 per \$1,000 per year. He states that the majority of car owners could not buy comparable life insurance at that rate.

"It's a great deal," he says. "If a dealership's penetration for credit life is not 80

percent, there's something wrong."

That "something wrong" is that credit life is often sold as an add-on to the monthly payment. It shouldn't be. It should be sold as an important part of any new-car purchase.

"It's like double insurance for the customer. If they pay cash for the car and die, the family only has the car," he says. "With credit life, they have the car and the money."

"Everybody in the world can buy credit life insurance, except for one large group of people—those who pay cash. Therefore, selling the benefits of credit life becomes one of the F&I office's best closing and conversion tools."

Another F&I program that helps to close finance deals is accident and health insurance, or as Elsie calls it, disability income.

"I call it disability income because that's what it is," he says. "If a person becomes disabled, the dealership will pay them a monthly income up to the amount of their payment."

Most dealerships don't push disability income, but they should. According to Elsie, 34 percent of Americans with poor credit ratings suffer from a disability.

"The F&I person should tell the customers to forget that disability income covers their monthly payment," Elsie says. "It protects their credit rating."

Like credit life, Elsie cautions against selling disability income as an add-on to the monthly payment because often the people who can least afford to make the monthly payment—and who will turn it down—are the ones in most need.

For the dealership, disability income often results in more sales. Every time a claim is made, the salesperson should call up the disabled customer and remind him that he is covered by the program and ask if the dealership can do anything. Almost invariably, that little extra effort results in a repeat customer and referral business.

Compensation Plans

"Not everybody can be a good F&I salesperson, so dealers should be very selective about the people they hire," Elsie

says. "And they should pay them to keep them."

Elsie prefers a simple payment plan for F&I personnel, a straight weekly salary plus 10 percent of net F&I, but suggests that dealers institute any plan they feel comfortable with.

"I also think that salespeople should be compensated for F&I because they are very functional in it," he says.

Elsie has a straightforward formula for compensating salespeople. For salespeople earning \$0 and \$1,500 of F&I income on their deals during the month, there is no F&I compensation. For income between \$1,501 and \$2,500, the salespeople get 5-percent retroactive to the first dollar. Between \$2,501 and \$4,000, they get 10-percent retroactive, \$4,001 to \$5,500, they get 15-percent retroactive and so on up to 25-percent retroactive.

Elsie instituted this pay plan in a dealership in Florida that was doing about \$35,000 per month in F&I income and paying 10-percent salespersons' commissions.

"In the first month we put this plan in the dealership, F&I exceeded \$60,000 and they paid only 7.8-percent salespersons' commissions," he says.

Elsie also recommends making a big production over monthly F&I commissions. At the weekly meetings, the F&I person should give an update of all the salespeople's performances. At the end of the month, individual checks should be cut and the F&I manager should hand them out personally.

"F&I becomes the most important thing in the dealership. Nobody talks about monthly payments because they know that if they do, it will only cut the F&I manager's chances of making sales, and they will lose money," Elsie says.

If, however, the F&I office makes a good deal, a cash conversion plus credit life and disability income, the salespeople will make money.

And so will the dealership.

Based on a workshop presentation at the 1985 NADA Convention. Edited by Gerry Donohue.

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NADA provides a myriad of professional services to member dealers. Staffed by experienced consultants with many years of experience in the automotive industry, these services offer dealers profit-building programs, seminars, information and advice. Every aspect of dealership management is addressed by the NADA services, from dealer training to estate planning and from the service bays to the new-car showroom. Following are the six major NADA professional services.

Sales Trak

For the more than 1,000 dealers who use NADA's Sales Trak system, organized prospecting, management control and follow-up are profitable facts of daily life. The average improvement in the number of closes salespeople make in dealerships using Sales Trak is 60 percent, and the average salesperson under Sales Trak delivers 50 percent more units per month than the national average.

Under Sales Trak management, all sales efforts focus on the successful conversion of a prospect into a customer. The system gives sales managers more control of their sales force and the selling process.

Salespeople are provided with an easy-to-follow work plan that inventories prospects, organizes follow-up and leads to a close. This coordination of activities provides dealers with a clear picture of what their sales force is doing and its success record.

Installation of this unique program includes an in-dealership visit by an NADA consultant, who helps train the dealer's new- and used-car salespeople. Two additional follow-up visits are made to ensure the system works at peak productivity. Prospect handling is analyzed

by computer and reviewed by an NADA consultant each month.

Service Systems

Recent NADA studies show that only 55 percent of all dealer service facilities are utilized, the efficiency rate of those facilities that are used is only 85 percent, and the productivity level of technicians is estimated at about 75 percent.

The unrealized potential for dealer service sales is significant. Dealers often turn away more business than they take through their doors because of improper handling of customers and service personnel. The key to the problem is the practice of selling a certain number of repair orders, rather than time. This approach disregards completely the amount of time written on these ROs.

That is where the NADA Service System "Time Control" program comes in. It offers dealers an effective means to manage the myriad details of a service department and measure real productivity. With the Time Control system, the dealer can identify the amount of labor hours available in the service department, and then manage and sell them properly.

Once the dealership knows exactly how many hours can be sold in a day, time is budgeted for each RO, the technician's time is pre-planned daily and work is scheduled by appointment. There is systematic follow-up on time allowed for a job, the status of each repair and the actual time taken. The dealer knows at a glance what is going on in the service department at any given time.

With the Time Control System, low productivity is spotted and corrected, and technicians have an opportunity to make more money. Internal repair orders for new and used cars are completed on schedule, and service writers can spend more time with each customer, improving the accuracy and profit of each RO.

20 Groups

Joining an NADA 20 Group often means more profits. According to NADA studies, the average 20-Group dealer's profits are better than other franchised dealers. Not only do dealers benefit from the close



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scrutiny of their business's performance that takes place at 20-Group meetings, they get the chance to share new ideas with their peers.

A major part of each 20-Group meeting is devoted to studying members' composite financial reports, which analyze the profit performance of each department. Results are compared among group members. Broken down in detail are figures on new- and used-car sales, parts movement, service volume, body shop operations and other key departments. Each member receives a monthly composite as well as two special studies per year.

To serve dealers' changing needs, NADA offers three 20-Group programs—regular 20-Groups, Chain Dealer Internal Management Report and Limited Volume (Mini-Groups). The Internal Management

Report (IMR) program is tailored to the chain dealer with three or more dealerships. The program includes management team seminars and a special computerized statement that compares dealerships selling different makes of vehicles.

NADA's Limited Volume program is designed to meet the needs of smaller volume dealers selling fewer than 400 units annually. The program provides dealers with virtually the same performance analysis services as 20 Groups, but on a smaller scale.

Estate Planning

Automobile dealers are faced with many important business decisions every day, and one that is often postponed is the status of their estate plan.

While most dealers can tell exactly what they own and exactly what they owe at any particular time, far fewer can tell exactly where those assets would go if something were to happen to them.

NADA's Estate Planning Department was established to help those dealers who are not exactly sure about the future of their assets. Working only with automobile and truck dealers, the department's thoroughly trained, salaried employees can focus their knowledge and sensitivity to dealers' special needs.

The department will advise dealers on specific problem areas such as stock purchase agreements, recapitalization and dealership continuation. The staff can help dealers secure or evaluate personal financial services, life insurance portfolios and employee fringe benefits.

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Further, they can demonstrate various methods of removing insurance proceeds from the estate in order to eliminate taxation. If the plan is properly structured, insurance proceeds remain available for payment of estate taxes or are available to heirs, or both.

Dealer Candidate Academy

Since its inception in 1979, more than 330 men and women have graduated from NADA's Dealer Candidate Academy, an intensive one-year program in dealership management. Students include executives entering the industry as franchised dealers, experienced dealers and managers needing a refresher course and sons, daughters and spouses of current dealers designated as successors.

Of a recent sampling of 100 graduates, more than 90 percent successfully serve as dealers or dealership managers. In the six years the program has been offered, more than 35 dealers have elected to sponsor a second or third student.

NADA's Dealer Candidate Academy combines classroom instruction with in-dealership experience. The one-year program consists of six one-week classroom sessions held throughout the country, followed by in-dealership work experience related to the classroom instruction. Topics include financial management, parts management, service and body shop operations, used-vehicle management, new-vehicle operations and overall dealership management.

Students learn by analyzing their own financial statements and working in their own operations—not by reviewing theoretical examples in a textbook. Computerized reports generated by NADA enable students to compare profit and loss figures and evaluate managerial effectiveness throughout the 12 months of training.

Registration is now open for six classes in 1986, which will begin in January, February, May, June, September and October.

NADA Seminars

What makes NADA Seminars different from all others? They don't talk theory.

They're not canned presentations. Nobody tries to sell the answers. Instead, professional consultants work with dealers and managers to pinpoint problems and develop strategic plans to meet those management challenges.

The registration fee for NADA members is \$499 for the dealer (or general manager) and service manager. Additional managers may attend for \$250 each. The registration fee for non-members is \$560 for the dealer (or general manager) and \$280 for each additional manager.

NADA has six seminars scheduled for the remainder of 1985:

Business Management, September 17 to 18, Nashville, TN

Business Management (ATD), November 5 to 6, Houston, TX

Service, October 8 to 9, Oklahoma City, OK

Service, October 29 to 30, Baltimore, MD

Service, December 11 to 12, San Diego, CA

Contract Maintenance (ATD), October 23 to 24, Columbus, OH ■

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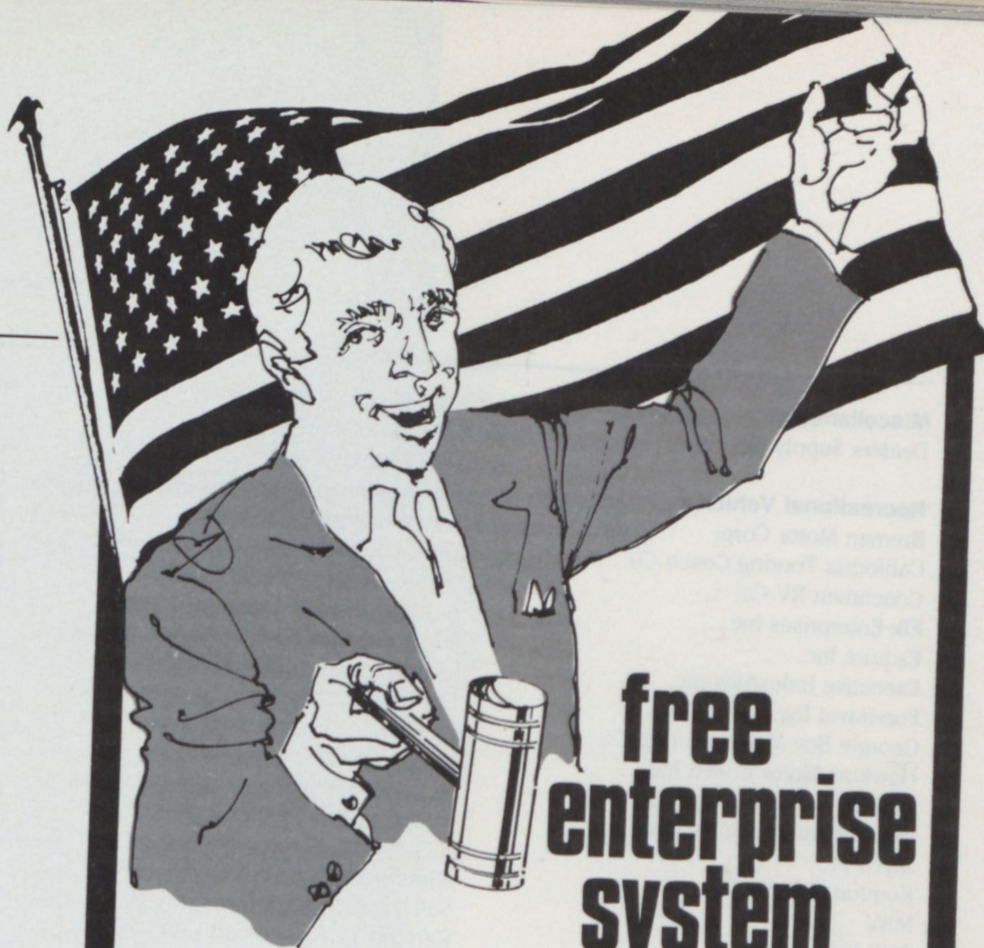


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SERVICE/PARTS/ BODY SHOP



SERVICE/PARTS/
BODY SHOP

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SERVICE PARTS
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SERVICE/PARTS/ BODY SHOP



Once overlooked, the backshop areas—service, parts and body—are now being viewed as increasingly important to a dealership's total profit structure.

By Ron Joffe

SERVICE SURVEY REFLECTS INDUSTRY'S EXPANSION

During the days of the sales doldrums, many dealerships were kept alive by increased service and parts volume, generated in part by customers keeping their cars longer. This made dealers aware of the significance of the service department, and they began to purchase more equipment and increase employee training. Sales have now bounced back, but the significance of the service department remains. Well-run service departments retained the customers who came in during the "bad days," while adding to their base with new sales customers. Increased service contract options and warranty coverage have also added to volume, as has the decrease in "outside" repair shops.

We should remember the lessons learned in the past few years and use them to plan our future, so when hard times do return, we will be better prepared. I say "when hard times return," as opposed to "if hard times return," because history has shown that our industry is cyclical.

What have we learned from the past? What are we doing to secure our future? I tried to obtain the answers to these questions and many more with the "Service Survey" column published in *Automotive Executive's* April 1985 issue.

The responses to this survey were overwhelming. More than 1,000 readers either sent in responses or called me directly. On the mail-ins, if the answers were not

clear, I called the dealerships for verification. The survey results are significant for several reasons. They are accurate and complete, due to the excellent cross-section of responses. The fact that 1,000 of the approximately 24,000 franchised dealers in the U.S. responded gave us a good sampling.

I found that in general, responses were optimistic. Confidence levels are running high and expansion of service departments is on many drawing boards. Outside consulting company services are on the decline while supervisory training is increasing. Interest in consumer satisfaction is on the rise and more sophisticated service systems are being used.

There is a saying in our business that "90 percent of the cars are sold by 10 percent of the dealers." This statement reflects the fact that we usually only hear about the handful of very large dealerships. We tend to forget about the

thousands of smaller stores that dot the countryside. But the average dealership in this country (according to this survey) employs 10 technicians, and it's the smaller stores that keep this average low.

The average dealership employs two service writers, indicating a slight overstaffing in supervisory positions. Compared to the recommended industry standard of one supervisor for every seven or eight people, this figure is definitely high. There was no way to determine from the survey responses just what functions these service writers had other than normal duties. It is possible that in smaller service departments the service writer also is responsible for warranty coding, quality control and technical diagnosis. If this is the case, then it's not necessarily overstaffing.

The average service department writes

42 repair orders per day. This number divided by 10 technicians translates to just over four cars per technician per day. Service writers at the responding dealerships are a little slow compared to recommended industry standards (25 repair orders per day, per writer), because they only write 21 each. Dealerships complete an average of 35 repairs per day, or 84 percent of all ROs. (Repairs in this case are complete repair orders, not repair lines.)

The question about service marketing programs revealed some surprising answers. Even with business continuing strong, 66 percent of the respondents said they have a formal merchandising program. The most popular programs by far are the manufacturer-subsidized mailers. Second in line are newspapers ads and third are dealer-generated direct-

mail programs. Thirty percent of our survey respondents said they don't have a campaign, and 4 percent did not respond to the question at all.

Consulting companies are in trouble! Eighty-five percent of the responses indicate that outside consultants have not been, or will be, used. In fact, this question generated some very unusual responses. Many dealers wrote notes on their responses telling why they won't use outside consultants, and some of these notes bordered on hostility.

The most common objection was that most consultants have never worked in a retail position and therefore have a hard time relating to daily operations. The second most common complaint was that "consulting companies are great at telling you what's wrong and how to correct it, but then they present you a bill and say

Nifty Ideas

1

Service merchandising. Give each new-car buyer a free oil change agreement, good for as long as the customer owns the car. In addition, send all new-car buyers in your area whom you did not sell a free oil change card. This free oil change is a good primary service promotion.

2

Body shop flier. Prepare a windshield flyer to develop your body shop business. Send one of your body men out on the street to place your flier under the windshield wiper of cars needing body work. Repeat this campaign whenever your body shop business needs a boost.

3

Service due. Make sure every new, used and just serviced car gets a card with the date it should be back for service.

4

Service clinic. Advertise a free service check in your local newspaper. Include the name, address and phone number of your dealership, explain what points the free check will cover and note that a written report will be presented to the vehicle's owner upon completion of the test and a price quoted for the work needed. Stress that customers must call in advance for an appointment.

Plan the clinic for a Saturday morning. One week before the clinic, mail out a

copy of the newspaper ad to your regular service customers. Conduct a meeting before the clinic, explaining the procedures to be used and the pay plan for that morning's work.

While customers are waiting, the sales force can offer demonstration drives and brochures. The following Monday, mail out letters offering a free oil and filter change to those participants who have the diagnosed problems corrected in your shop.

5

Non-prime time. Most service departments have slow times. Sell these hours at a reduced rate, on a by-appointment-only basis. Such special discount rates can keep your shop busy all the time.



Mr. Dealer, will you spend 15 minutes of your valuable time to learn how to add \$40,000, \$50,000, even \$100,000 to your bottom line with NO CAPITAL INVESTMENT.

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"Increasing technician productivity and efficiency is an area that is easy and cheap to attack."

hope to see you again." The problem is that many consultants don't provide enough training to dealership personnel to allow them to continue after the consultants leave. There are, of course, consulting companies who are competent and a credit to our industry. It is unfortunate, though, that bad consultants seem to outnumber the good and therefore lower people's opinion of the industry.

Meeting Increasing Demands

There are many ways dealers plan on meeting increased service demands. I found it perplexing that in these times when skilled technicians are becoming increasingly harder to find, and fewer young people are being attracted into the field, 85 percent of the respondents said they intend to meet increased business by hiring more technicians. Please call me and let me know where you're going to find these technicians. I need them myself and would like to share the information with everyone else!

The most expensive response to how to meet higher demand involves expanding the physical plant. Some of the dealers may have been planning this change anyway, but it seems to be a rather costly answer, considering the alternatives. One alternative is to increase shop hours. Thirty-three percent stated they plan on either putting on a second shift (full or partial) or instituting a four-day work week.

The four-day work week involves 10-hour work days. Under this system, scheduling becomes critical. Scattering the extra day off during the week means you have to make sure you leave enough skill in the shop to cope with demand. There is also a lot of controversy surrounding the productivity of the two extra hours. Most technicians have had it after an eight-hour day. And while Saturday and evening service hours are very effective in absorbing some extra workload and also are a good sales tool, they are difficult to successfully administer.

I was surprised that only 8 percent of the respondents said they planned to meet the challenge by increasing technician productivity and efficiency, because

this is an area that is easy and cheap to attack. Some areas to look at are increasing technical training, increasing service writer training, improving parts inventory, upgrading parts personnel skill levels, decreasing the difficulty in locating tools, improving morale and systemizing wherever possible.

Systems can solve many problems. They make teaching new employees easier, make everyday operations easier and usually result in increased profits. The most common system, according to the survey, is the service appointment system. Eighty-two percent of dealers operate this way.

There is, however, no way to tell how many of those 82 percent run their service department workload purely by appointment. That method is usually a mistake, because you don't allow for emergencies or "gravy walk-ins." I have found it turns out just about right if you schedule about 90 percent of your work. By the time you deduct no-shows, and add emergencies and walk-ins you will probably come out with an accurate workload. Remember that according to this survey, 84 percent of repair orders written are completed. With accurate forecasting and scheduling you should bring that figure up over 90 percent.

Variable retail rates scored a low 26-percent response. Variable rates are difficult to administer but can yield gross profit on labor in the 75- to 80-percent range. Although most service departments stay away from them because they can be confusing, many manufacturers recommend their use. When the manufacturer figures out what your warranty labor rate will be, it averages out your variable rates, weighs in how many repairs at various rates and comes up with a figure.

Quality, Tools and Training

Quality control received a surprisingly low 54-percent response. A formal "QC" system is equivalent to fire prevention. Seventy-eight percent of respondents do, however, employ a customer-service

"firefighter" to follow up on service work. The vast majority of queries are done by response cards left in cars, second comes phone calls and finally mailed questionnaires.

Dispatching work into the shop is a critical factor in effectiveness. Fifty-three percent of the dealers dispatch by priority, 50 percent by skill level and 2 percent said by "other" (although they did not indicate what "other" meant).

The totals are over 100 percent because many dispatch by both priority and skill level. Skill level is the most accurate method, and it is the one programmed into all computer dispatch systems.

Acquisition of tools and equipment was heavily slanted towards the manufacturers' programs. Eighty-four percent stated that manufacturers are the main source of their equipment needs. Independent stores, such as local parts houses, received second-place honors with a score of 62 percent. I called several respondents who indicated independent sources as their first choice to ask them why. The resounding answer was that the needed items were in stock or could be obtained shortly. Roving tool trucks that come to the dealerships scored a 27-percent share. Their prices usually run higher and limited space on the truck usually means they have to deliver the tool next time. Other sources for tools scored 7 percent.

The longevity of service managers on the job was quite interesting. Only 18 percent of the service managers have been on the job less than one year. One to three years scored a whopping 37 percent, three to five years a mere 12 percent, and over five years a strong 30 percent. It appears there is a crisis period at the three-year mark, but if managers make it to the five-year mark, turnover decreases.

At three years, service managers have been on the job long enough to stabilize and probably have started to think about the job differently. Unlike the first couple of years when they are busy correcting all the major problems and running at a fast pace, they now have to slow down momentarily, reassess the situation and attack the remaining deficient areas. It is

at this critical juncture that many service managers don't know what to do. So they change jobs and start all over again doing what they know best—tackling the major faults. The few who make it through to five years will probably retire on the job.

Increasing factory warranty coverage received a resounding positive vote as being helpful to service business. A landslide figure of 81 percent said they approve of the move by the factories, while only 19 percent thought it would hurt service business.

Training is the foundation for the future. Business is so sophisticated and cars so technical that it's imperative to have a formal and complete training program. I was rather surprised to find out the 77 percent of service managers receive some type of training on a regular basis. This is a very high figure and reflects the commitment of dealers to progressive service departments.

Service writers fare only a little better in terms of training at 79 percent. This figure should be higher because of the importance of that position.

Technicians naturally scored the highest on training, with 97 percent receiving a regular regimen. The remaining 3 percent work for dealerships that must be losing business.

Every position in the dealership should have a "measuring stick" to allow for an accurate accounting of the position's effectiveness. Forecasting should be based on accurate past performance, and the financial statement is the best resource.

Out of all the respondents, 98 percent said their service managers had access to the service part of the financial statement. The 2 percent that did not share the information with their service managers included some very large dealers. I called a couple of them and they felt that "DOC" (daily operating controls) sheets were sufficient for the service manager's needs.

Interface With Parts

Our respondents reported that 19 percent of service managers are also responsible for the parts department. There are many similarities between the body shop and

service department, and perhaps that is why 28 percent of the service managers oversee the body shop as well. To be effective in a director's position you must have at least an assistant in each department and possibly separate managers. Physical plant, size of operation and individual qualifications are the most important factors to consider when deciding whether to promote a service manager to service director, responsible for parts and service.

These survey results give you an idea of where you and your dealership stand compared to other dealers. Perhaps they will motivate you and your staff to rethink some present policies. ■

Ron Joffe, a dealership service director in Trenton, NJ, is a regular contributor to Automotive Executive. The opinions expressed are those of the author, and do not necessarily reflect those of NADA, NADA Services Corp. or Automotive Executive. All suggestions or comments should be mailed to: The Service Department, Automotive Executive, 8400 Westpark Drive, McLean, VA 22102.

BODY SHOP OPPORTUNITIES

The body shop can be one of the more difficult departments in a dealership. If not properly managed, it can be a serious drain on profits. For many dealers, however, having a full-service store requires having a body shop. Still, the dealer has a choice. He can ignore the body shop and live with the losses or he can make a serious investment in time and money and establish the body shop as a primary profit center that also pays off in good customer relations and future business for the entire dealership.

High Profit Potential

In 1983, the collision repair market generated sales of over \$8 billion. The two primary players in the market are independent body shops and dealerships. In

recent years, however, the number of dealership body shops has declined markedly, from nearly 20 000 in 1977 to less than 16,000 today.

Precipitating this decline were two major changes in the body shop business. Unibodies now predominate in the market and require new and expensive equipment to be properly repaired. Also, the number of models currently in the U.S. market has proliferated, significantly complicating the business.

So, as business has become more complex and more expensive, some dealers have dropped out. Nonetheless, for the well-run, modern body shop, the potential for profit remains high.

And that profit can be spread through almost every department in the store, as a quality body shop significantly improves customer relations. Customers who are pleased with the body shop tend to return to the dealership for other services, such as mechanical repairs and new- and used-car purchases. Further, a dealership body shop can increase parts department sales and gross profit and even improve used-vehicle grosses. Autos repaired at the dealership body shop and later traded in often bring higher prices for the customer and higher mark-ups because the quality of the work is known.

All these benefits do not come without serious effort on the part of the dealer, the body shop manager and staff. The body shop must be an aggressive, active department, not just a dealership convenience. It must be a separate profit center that stands or falls on its own.

The body shop cannot wait for business to be towed to the shop doors. It must aggressively solicit business and then provide quality, timely work to keep it. Potential sources of business that every body shop should solicit include insurance companies, independent vehicle lots, fleet operations, municipalities, customized vehicles and deterioration repairs.

Keys to Profit

The first step to body shop profitability is control of gross-profit generation. A

Body Shop

high gross will not produce a profit unless expenses are controlled. Expenses in the body shop can be divided into direct expenses, which can be controlled, and semi-fixed expenses, which cannot be directly controlled. By trimming and eliminating direct expenses, such as labor and material costs, body shop efficiency will be increased and net profit improved.

In 1982, NADA reviewed the financial statements of more than 660 dealership body shops to determine the keys to a successful operation. While some of the actual figures may now be outdated, the principles behind the numbers still hold true.

The most significant difference between profitable and non-profitable body shops occurred in their expense struc-

tures. Non-profitable body shops had markedly higher expenses. In its review, NADA found that the average non-profitable body shop's expenses were 56.4 percent of annual sales, whereas the profitable body shop's expenses were only 39.7 percent. Even if the non-profitable shops had earned a gross profit percentage as high as that of the profitable body shops, they still would have lost money, because of higher expense structures.

While profitability is not assured after a certain level of sales has been reached, NADA found that profitable body shops had achieved a total sales level that was approximately 53 percent higher than non-profitable shops. The point where body shops tended to break even was somewhere between \$300,000 and \$400,000 in annual body shop sales. But even in body shops that earned over \$500,000 in annual sales, 31 percent were still unprofitable.

There was also a significant difference between the productivity of profitable and non-profitable body shops. For each dollar invested in fixed expenses, profitable body shops generated \$10.25 in total sales, while non-profitable shops generated only \$6.53.

Finally, profitable body shops performed 3.6 percent more repair orders per employee and had 4.6 percent greater dollar sales per repair order than did non-profitable repair shops. These two factors alone combined meant that profitable body shops had an 8.2 percent higher level for sales per technician.

The Insurance Companies

Like any dealership department, to be profitable the body shop has to have customers. Unlike other departments, the body shop's principal customers are not vehicle owners but insurance companies. They pay the bills and they are the repeat customers. To be successful, the body shop has to maintain a good relationship with the insurance companies.

Though insurance companies at the national level refrain from making recommendations, most local offices are free to offer customers a "laundry list" of body

shops in their area. These recommendations are usually based on availability of equipment. Therefore, it is important for body shops to keep local insurance contacts informed about changing service, training, costs and equipment.

Obviously, the most important thing a body shop can do to maintain a good relationship with insurance companies—and vehicle owners—is to provide complete and accurate estimates followed by quality work done in a timely manner with no surprises. This alone will ensure a good volume of work. There are, however, other services body shops can provide to insurance companies to maintain a good business relationship.

Successful body shops make sure they have a professional office and shop appearance. They also have diagnostic equipment and office space at the disposal of the insurance adjuster so he can work quickly and easily. Some body shops even have direct phone lines for data transmissions by the adjuster.

Another service many body shops now offer is the taking of pictures of additional work to speed work approvals. Several benefits accrue if the insurance adjuster will accept Polaroid pictures of the additional work required and parts removed. The job will not be held up, the customer will get the vehicle quicker, customers' claims to equipment they originally had on the vehicle can be verified/disproved and the adjuster need not make a special trip for authorization.

The body shop manager can further improve the relationship with insurance adjusters by preparing his own estimate of damage when a vehicle first arrives in the shop. After the insurance adjuster has written his estimate, the results should be compared. If the body shop manager does a fair, accurate job, eventually the insurance adjuster may come to rely heavily on the body shop manager's estimate when writing his own.

The area where the relationship between the body shop and insurance companies is most often strained is payment for work performed. Perhaps in no other dealership department are overdue payments so common. Two frequent causes

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are insurance companies holding up payment for any one of a myriad of reasons or uncertainty about which party is responsible for payment. In any case, the one who gets hurt is the body shop.

Solving these problems is relatively simple. First, and most important, the method of payment should be decided at the time of the write-up. Two good payment methods are billing the insurance company directly or having the customer arrange to have the insurance company release signed and returned to the dealership.

Keep the Paper Flowing

Consistent and strong recordkeeping policies should be installed throughout the body shop, not only in billing. Most successful body shops use an appointment scheduling system. While there is no single best scheduling method, a formal system is necessary because managers tend to underestimate the workload. (Guide: a six- or seven-workday backlog is the maximum for an average body shop.)

A good scheduling system maintains a record of every job in the shop and follows each job from work authorization through completion, quality check and delivery. It should include a dispatch log and a daily backlog.

Body shop repairs generate a larger and more varied paper flow than do mechanical repairs because insurance companies with different regulations are involved and the bill may be paid from more than one source. Car rentals and mechanical shop repair orders also may be involved. Therefore, a good recordkeeping system with tight and consistent control is a must for a smooth-running operation.

An important, but often ignored, addition to a body shop's paper-flow system is a provision for customer follow-up after the completion of repairs. Either over the phone or through the mail, every customer should be contacted. If customers are satisfied, they should be asked for referral business; if not, problems should be resolved. The long range objective of this customer follow-up is to keep the

"An important addition to a body shop's paper flow system is a provision for customer follow-up after the completion of repairs.

The long-range objective of this customer follow-up is to keep the interest of the customer for new-vehicle sales."

interest of the customer for new-vehicle sales in the dealership.

Unibodies and Equipment

The drastic increase in the number of unibody vehicles has brought about a revolution in the body shop business. In 1979, 2.3 million cars five years or newer were unibody; today it is estimated that unibodies comprise 87 percent of vehicles coming into the shop for repair.

Unibody construction presents great opportunities for the body shop, as well as problems. Panels are thinner than on frame vehicles and panel straightening is more difficult. Today's steel cannot be welded, hammered or heated in the traditional manner without sacrificing strength. Usually there is more serious damage when a collision occurs, and the entire vehicle must be returned to the original specification if it is to be driven safely.

Many times the same equipment used to repair frame vehicles can also be used to repair unibodies, but not necessarily at a profit because more labor hours and skilled technicians are required. Thus, modern, often expensive equipment is necessary.

In an NADA 20-Group survey taken about two years ago, dealers estimated that the minimum expenditure for opening a body shop would be \$100,000; given the increase in equipment prices in the past two years, that expenditure would certainly be higher today. To have a well-equipped body shop, a dealer would have to have, at the very least, dimensional corrections equipment (a bench system), an air compressor, air equip-

ment, a spray booth, floor jacks/lifting equipment, wheel alignment and balancing equipment, tire changing equipment, brake equipment, engine analyzers, battery chargers, car-moving equipment, OSHA safety required items, an air conditioning system and special tools.

Of course, new equipment is only practical when it matches the production needs of the shop. So in starting up or retooling, dealers should move slowly, gauging equipment needs with business trends.

One piece of equipment that any modern body shop cannot be without is a computer. Using either the dealership computer or a separate system, the body shop can computerize its scheduling, invoicing and estimating. Computer estimates and supplements often save shop downtime and increase accuracy. Some systems also include job costing, productivity, payroll functions and a time clock.

The Final Puzzle Piece

All the aforementioned time and investment will be wasted if a dealer does not have a good body shop manager. Managing a body shop requires many different abilities, the most important of which is integrity. Personal integrity is stressed constantly when insurance companies, customers and dealers rate the characteristics they prefer in a body shop manager. In fact, many dealers believe it is not necessary to have a manager in the body shop with prior body shop experience. They believe it is easier to take someone with management ability and experience and teach the necessary body shop skills. A body shop manager must be a "people person," working successfully with technicians, insurance adjusters and vehicle owners.

Should every dealership have a body shop? Obviously not. Some dealers don't have the time or money to invest in establishing a modern, efficient, profitable body shop. But for the dealers who have the capital and the inclination to either start a body shop or to retool their old one, the body shop can be one of the most exciting and profitable departments in the entire dealership.

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MAXIMIZING PARTS WHOLESALING

Bill Lake Buick in Cleveland, OH, first became active in the wholesale parts business eight years ago, when monthly parts sales were about \$16,000. Today, the dealership runs the largest wholesale parts business in Ohio, with \$225,000 per month in parts sales, of which \$150,000 are wholesale. And Bill Lake believes that today, just as eight years ago, wholesale parts is a good business to get into.

"Only 150 GM dealers in the U.S. last year collected over \$100,000 in wholesale comp," Lake says. "So, out of 10,500 GM dealers, only 150 are really active in wholesale parts. That leaves a lot of room for expansion if somebody wants to get into the business."

Getting into the Business

Lake says there are three keys to maximizing wholesale parts business.

"The first and most important step is hiring the right parts manager. That's the key. If you're in the parts business and you have the wrong manager, everything will be downhill, because succeeding in the wholesale parts business doesn't mean just having a whole lot of parts, it means having the right amount of the right parts."

Where can dealers find good parts managers? Lake suggests two sources—the traveling computer reps and the factory parts reps.

"They know who has the best parts managers, and more importantly, they know who has the best assistant parts managers."

Second, Lake says, dealers have to make a financial commitment to expand their inventory.

"You have to decide that you're going to dedicate some extra money to the parts inventory instead of to used or new cars," Lake says. "And once you've done that,

you have to make the decision on how you're going to expand."

Lake expanded his dealership's parts inventory one part at a time, using a computer that determined what parts were needed and how many.

"I don't think you can go out and buy a bulk load, because you won't know what parts you need," he says. "You have to increase your business before you increase inventory."

Lake also stresses that parts inventory should be "pure;" old or odd parts shouldn't lie around gathering dust.

"The final thing you have to do," Lake adds, "is ensure there is enough space to expand your parts department. If you don't have the facilities or you can't get them, you will have problems expanding your inventory."

Good People Equal Success

"I agree you need a strong parts manager," says Charles McCann, parts sales manager for Bill Lake Buick, "but I don't know of any operation that runs solely with a good parts manager. You've got to have good staff. You need properly motivated people and you have to spread responsibilities around. If the parts manager leaves and the whole place grinds to a halt, too much emphasis has been placed on the parts manager."

McCann believes that to attract and keep good people, the parts department has to have "a realistic pay plan."

"If you pay them on the entire operation, they know they share in expenses just as they share in profits," he says. "We pay people on gross and net profits, because that way they're always going to get something, but they also know that waste and a mis-run department will diminish their paychecks."

The Right Equipment

In the business end of the parts department, McCann says a good, up-to-date automated inventory control system is vital.

"A lot of car dealers buy automated inventory control systems but don't know what they're buying," he says. "There are many things to consider when buying a

system. It is not merely for posting sales and receipts. These systems are so sophisticated they can tabulate things like lost sales, emergency purchases, part change numbers and phase in/phase out criteria."

Of course, McCann adds, system operators must be well-trained and competent.

One final tip from McCann. The parts department should be easy to reach. Direct phone lines are fine at first, but as the operation expands, toll-free numbers—either on a state or nationwide basis—become necessary.

"Be sure employees answering those phones have good phone etiquette," he says. "One way to check on that is to call your parts department pretending to be John Q. Public. See what kind of response you get. Your people must have a good attitude. They have to appreciate the business and they have to project that to the customer."

"Remember, parts are parts. Your fenders, your bumpers aren't any better than anybody else's. You have to give someone a reason to knock on your door."

"So have the right price, the right people and the right part, and you won't have to cut price," McCann says. "There's money to be made in the parts business, but it depends on how you run your operation."

An Exciting Profit Center

"Our parts department is the most exciting aspect of our dealership," says Jerry Richardson, president of Dub Richardson Ford in Oklahoma City, OK.

In 1984, Dub Richardson Ford generated about \$8.3 million in total parts sales, about \$7 million in wholesale parts and \$2.3 million in wholesale gross. On a monthly basis, the parts department averaged about \$575,000 in wholesale parts sales with about \$125,000 in gross. That's about a 22-percent return.

To do this, Jerry Richardson said he carries over \$2 million in parts inventory.

"Inventory is the name of the game," Richardson says. "We have the reputation of having the part that no one else has, and I like that reputation. Conversely, I

Parts

don't want to keep that reputation to the point of stocking totally obscure parts, but we do keep old and unusual parts because they bring customers in."

Richardson buys a large percentage of his parts on a stock order pad, thereby saving up to 5 percent on purchases and receiving both free freight and obsolescence credit.

"The obsolescence credit is extremely important to us," Richardson says. "We generated over \$430,000 in obsolescence credit last year. You have to have that credit because you have to move those parts out."

Another extremely important area is customer service.

"We go on the premise that one call does all," Richardson says. "If you call me for a part and I don't have it, I'll look all over until I find it, because if someone else finds it for you, you might go straight to them next time."

Richardson's parts-department personnel call all their customers daily. In addition, the salesmen do outside solicitation, calling on their customers and looking for new ones.

Within the dealership, Richardson stresses comprehensive warehouse control. All parts are posted with bin location and there is an easy-to-read locator sheet.

"If you call and order a part, the parts person writes it up and takes it to a central location where the stockpeople pick it up," he says. "They pull the parts and take it to our shipping area where we have two checkers. All they do is check each order that goes out to make sure the part is good and the invoice is correct."

Beware The Low Mark-Up

Keeping waste at a minimum and costs down are critical in the wholesale parts business because it is run on a fairly low percentage mark-up.

Richardson sells parts to local dealers at a 15 percent mark-up. To Ford dealers outside Oklahoma City, he charges a 20-percent mark-up, but pays the freight if the purchase is over \$400 out of stock. All other customers are sold at 25 percent mark-up, but Richardson says that is

negotiable, depending on competition and the customer.

Richardson also has a very simple, strong return policy.

"Anybody can return any part, any time," he says. "We only ask that they send the invoice back with the part and that it comes back to us in the same box. If it's our mistake, we pay the freight; if it's their mistake, we ask them to pay. This program really builds up goodwill."

Richardson is also proud of his credit policy. New accounts are based upon the personal credit of the shop owner, and Richardson prefers the owner to have been in business for two years before extending any credit. There are also several categories of credit for different groups of customers.

Dub Richardson Ford's parts department has about 1,600 open accounts, all unsecured, and bills between 1,200 and 1,300 statements each month. Ten to 15 percent of the business is done with body shops, 70 percent with new-car dealers and the remainder with garages and national fleets.

"This is a very credit-intensive business," Richardson says. "Mark-up is small, so you have to watch the people you sell to. If the customer is not credit-worthy or doesn't pay his bills, even 100-percent mark-up isn't enough."

Counterpeople serve as liaisons between the customers and the parts department. Richardson has 15 counterpeople. They are all paid on a commission basis, similar to the way automobile salespeople are paid. They receive 25 percent of the gross on what they sell, plus an incentive.

"Our parts counterpeople do a lot better follow-up than do our auto salespeople," Richardson adds. "If the auto salespeople did half the follow-up that these guys do, I know sales would double. And the pay these guys get shows it. As a whole they make a lot more money than the auto salespeople. My top parts guy last year made over \$55,000."

Needed: Aggressive Management

Personal service and competitive pricing are obviously two of the more important

parts of the wholesale parts business, but according to Greg Witt, office manager for Dub Richardson Ford, it is not enough just to know that—a successful wholesale parts operation also has to be aggressive.

"We buy a lot of parts from independent jobbers rather than from manufacturers," Witt says. "We usually save about 30 percent on these items, and we pass those savings on. It makes us competitive with independent sellers down the street."

"We also buy a lot of direct distributor items, from people like Bendix and Wagner, thereby saving in discount costs from the retail price that the other manufacturers would charge. Having these discounts always allows us a first sale over our independent competitors."

Dub Richardson Ford also buys special items in large quantities at certain times of the year as sales incentives. In the winter, the dealership promotes items such as heater cores and antifreeze; in the summer, it buys truckloads of air-conditioner kits and freon; and springtime is for air- and oil-filter promotions.

"These items always give us something to draw customers to our dealership and also allow our salespeople to contact customers with something new to talk about," Witt says. "These captive items are not high profit, but they are a drawing card. Once customers call you, it's easy to sell them something else."

Luring customers to call is the prerequisite to success, and Witt says the parts department is always searching for new ways to pull in customers.

"Educating customers where to call and being able to service them when they do is the hardest part of this business," he says. "Anyone can increase inventory and anyone can sell it, but you have to have customers to buy the parts. We always try to keep our dealership name in front of each customer with items they frequently use. Our advertising giveaways, such as hats, pens, scratch pads and lighters, have been really effective selling tools for us. The cost of these items is minimal compared to the long-range effect they have when customers use them everyday."

Entering the wholesale parts business requires a large initial investment and long-term dedication. If a dealer accepts these preconditions, he can enter into an exciting money-making enterprise that could be one of the largest profit centers in his store.

Based on a workshop presentation at the 1985 NADA Convention. Edited by Gerry Donohue.

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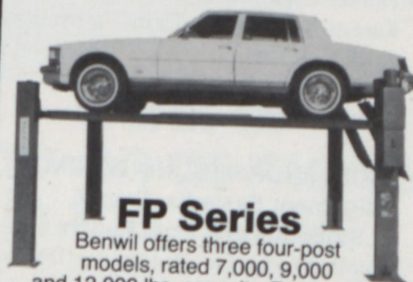
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8125 Stayton Drive
Jessup, MD 20794
(301) 997-3300
(800) 638-9674

CarFinder/Design Tech International Inc.

941-B 25th St. NW
Washington, DC 20037
(202) 333-0078

Car-O-Liner Co.

27581 Schoolcraft Rd.
Livonia, MI 48150
(313) 427-5200

Cars & Concepts Inc.

12500 E. Grand River Ave.
Brighton, MI 48116
(313) 227-1400

Cars/Dyatron

P.O. Box 235
Birmingham, AL 35201
(205) 956-7500
(800) 633-3625

Carriage Inc.

P.O. Box 246
Millersburg, IN 46543
(219) 642-3622

Celette Ltd.

2725 W. 5th North St.
Summerville, SC 29483
(803) 875-1241

Centurian-Lehman Inc.

P.O. Box 715
White Pigeon, MI 49099
(616) 483-9691

**Cenval Leasing Division/
Central Bank**

6668 Owens Drive
Pleasanton, CA 94566
(415) 463-2600

Cerwin-Vega!

12250 Montague St.
Arleta, CA 91331
(818) 896-0777

Chase Manhattan Bank N.A.

600 Community Drive
Manhasset, NY 11030
(516) 574-3322

Chastain Inc.

521 Rodier Drive
Glendale, CA 91201-2330
(818) 502-0400

Chief Automotive Systems Inc.

1924 E. Fourth St.
Grand Island, NE 68802
(308) 384-9747

**Chrysler Corp./Service and
Parts Division**

Marketing Department
P.O. Box 1718
Detroit, MI 48288
(313) 497-1000

Chrysler Service Contract Co.

P.O. Box 2700
901 Wilshire Drive
Troy, MI 48098
(313) 244-3800

**Circle Marketing Corp.
(dba Bodyguard)**

845 Harrisburg Pike
Columbus, OH 43223
(614) 279 5050

Citation Motor Coach Corp.

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Elkhart, IN 46514
(219) 262-3484

Classy Chassis

1000 Axe Ave.
Valparaiso, IN 46383
(219) 462-5536

Clifford Electronics Inc.

11750 Roscoe Blvd.
Sun Valley, CA 91352
(818) 768-4810

Coach Builders Ltd.

P.O. Box 1978
High Springs, FL 32643
(904) 454-2060

Coach-Lite Supply Co.

1611 West Bristol
Elkhart, IN 46514
(219) 262-1551

Coachmen RV Co.

P.O. Box 30
Middlebury, IN 46540
(219) 825-5821

Coachmen Van Conversions

P.O. Box 50
1520 Mishawaka St.
Elkhart, IN 46515
(219) 262-3474

Coin Financial Systems

5555 Oakbrook Parkway
Norcross, GA 30093
(800) 241-COIN

Columbia Motors Inc.

1781 Placentia
Costa Mesa, CA 92627
(714) 631-6690
(800) 624-9967

**Compliment/Division of N.E.
Ohio Axle Inc.**

1924 Washington Blvd.
Camanche, IA 52730
(319) 259-8391

Computer Marketing Systems

6913 Ritchie Highway
Glen Burnie, MD 21061
(301) 768-4700

Contemporary Coach Corp.

P.O. Box 512
Goshen, IN 46526
(219) 533-4161

Continuity Programs Inc.

2740 Woodward Ave.
Bloomfield Hills, MI 48013
(313) 334-9624
(800) 521-0026

Control Inc.

P.O. Box 210038
Dallas, TX 75211
(214) 339-5206

Creditor Resources Inc.

Perimeter 400 Center
1100 Johnson Ferry Road NE
Atlanta, GA 30342-1748
(404) 257-8200

Custom Auto Distributors

P.O. Box 327
Bogart, GA 30622
(404) 353-1380

Custom Trim Products

4911 Grant Ave.
Cuyahoga Heights, OH 44125
(216) 441-4800

Cyclo Automotive Products

P.O. Box 1802
Elkhart, IN 46515
(219) 295-0000
(800) 348-7475

D**DCI Computer Systems Inc.**

360 N. Fulton
Fresno, CA 93701
(209) 264-2946

Danhard Inc.

2839 Dillido Road
Dallas, TX 75228
(214) 328-8541

Dason Auto Concepts Inc.

8840 La Tijera Blvd.
Los Angeles, CA 90045
(213) 670-3904

Day Cruiser Corp.

P.O. Box 2296
2266 Pine Creek
Indianapolis, IN 46515
(219) 293-1513

Dayton Wheel Products Co. Inc.

147 South Broadway St.
Dayton, OH 45408
(513) 461-1707

Dealer Service Corp.

6013 Hedgerow Circle
Clemmons, NC 27012
(916) 766-6670

Dealers Supply Co.

4080 Livernois
Box 100
Troy, MI 48099
(313) 689-4411
(800) 521-3870

Deep Seal International

4708 Prospect NE
Albuquerque, NM 87110
(800) 545-6680

Deiss & Associates Inc.

185 Berry St., Suite 246
San Francisco, CA 94107
(415) 543-8188

d'Elegance Motor Coach Inc.

1320 S. Merrifield Ave.
Mishawaka, IN 46544
(219) 256-0265

The Detroit II Corp. Inc.

P.O. Box 2200
Orlando, FL 32802
(800) 562-1002

Detroit Radiant Products Co.

21400 Hoover Road
Warren, MI 48089
(313) 756-0950
(800) 222-1100

Dinerman Equipment Mfg.

304 Brandywine Road
Savannah, GA 31405
(912) 355-6720

Display Data Corp.

Executive Plaza IV
Hunt Valley, MD 21031
(800) 638-1100

**Ditzler Automotive Finishes/
PPG Industries Inc.**

2155 W. Big Beaver Road
P.O. Box 3510
Troy, MI 48007-3510
(313) 564-5500

**Buzz Doering Automobile
Leasing Consultant**

300 Cottonwood Ave.
P.O. Box 194
Hartland, WI 53029
(414) 367-6700

Dri-Slide Inc.

411 N. Darling
Fremont, MI 49412
(616) 924-3950

Durakon Industries

2101 N. Lapeer Road
Lapeer, MI 48446
(313) 664-0850

E**ECP Inc./Auto Armor**

1200 Jorie Blvd.
Oak Brook, IL 60521
(312) 986-2400
(800) 323-3521

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8909 McGaw Court
Columbia, MD 21045
(301) 992-4900
(800) 638-7815

E-Z Adv. & Dist. Co.

P.O. Box 332
St. Clair, MI 48079
(313) 329-6644

E-Z Lettering Service

1635 Ohms Way
Costa Mesa, CA 92627
(714) 646-8441

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Athens Drive
Mt. Juliet, TN 37122
(615) 758-0481

Easco/K-D Tools

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Lancaster, PA 17604
(717) 285-4581

Edge Learning Institute

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Tacoma, WA 98466
(206) 565-3131

Electrodyne Inc.

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P.O. Box 358
Alexandria, VA 22313
(703) 836-4641

Electro-Specialites Inc.

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Elk Grove Village, IL 60007
(312) 228-5655

Elk Enterprises Inc.

25771 Miner Road
Elkhart, IN 46514
(219) 264-0768

Elsco Lighting Products Inc.

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Stockton, CA 95208
(209) 466-0511

Endura Division/Biltrite Corp.

22 Willow St.
Chelsea, MA 02150
(617) 884-1700

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Elkhart, IN 46516
(219) 522-5548

Etnom Corp.

53664 CR 9 N.
Elkhart, IN 46514
(219) 262-4411

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Auburn, CA 95603
(916) 823-6241

Executive Industries Inc.

5460 E. La Palma
Anaheim, CA 92806
(714) 779-8640

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Industrial Park
Exchange Ave.
Conway, AR 72032
(501) 327-4433

F&I Management Corp.

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Arlington, TX 76011
(800) 527-1984

FRB Associates

22961-E Triton Way
Laguna Hills, CA 92653
(714) 951-3242

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Rialto, CA 92376
(714) 874-8384

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Daytona Beach, FL 32019
(904) 767-1444

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(817) 261-2341

Finance, Planning & Management

508 S. Royal Poinciana Blvd.
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(305) 887-6109

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Kansas City, MO 64111
(800) 821-5546
(800) 892-6032 (MO)

Ford Extended Service Plan

3000 Schaefer Road
Dearborn, MI 48121
(313) 322-3312

Ford Motor Co./Audio Products Group

17000 Rotunda Drive
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Dearborn, MI 48121-6010
(313) 322-6523
(800) 367-3333

Ford Motor Co./Rotunda Equipment Program

3000 Schaefer Road
Dearborn, MI 48121
(800) 762-6181
(800) 762-6182 (MI)

Ford Motor Credit Co.

The American Road
Dearborn, MI 48121
(313) 845-8166

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1221 NW Stallings Drive
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Lake Forest, CA 92630
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(513) 281-4332

General Electric Credit Auto Lease Inc.

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(800) 323-7579

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Marina del Rey, CA 90292
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Detroit, MI 48202
(313) 556-5000

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Lake Geneva, WI 53147
(414) 248-0244

Gentex Corp.

10985 Chicago Drive
Zeeland, MI 49464
(616) 392-7195

Genway Corp.

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Chicago, IL 60611
(312) 644-0200
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Georgie Boy Manufacturing

P.O. Box H
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(616) 663-3835

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Carmel, IN 46507
(317) 848-7602

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(800) 348-7400

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Guardian Light Co.

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(704) 669-5785

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(800) 237-1333

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Waukesha, WI 53186
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(513) 791-8888

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Holiday Rambler Corp.

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Bridgeton, MO 63044
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(404) 238-2829

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Suite 214
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St. Louis, MO 63105
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(800) 325-9590

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Innovative Time Corp.

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Carlsbad, CA 92008
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(800) 526-0929

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(800) 553-0016

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Minneapolis, MN 55447
(612) 559-3300

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(213) 868-8251

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P.O. Box 460
Middlebury, IN 46540
(219) 825-5861

Jet-Phillips Division/JW Lighting

P.O. Box 45919
Houston, TX 77245
(713) 433-4511

E. F. Johnson Co.

299 Johnson Ave.
Waseca, MN 56093
(507) 835-6222

Rusty Jones Inc.

6200 N. Hiawatha
Chicago, IL 60646
(312) 794-8500

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Los Angeles, CA 90017
(213) 680-1810

K. O. Manufacturing Inc.

1339 N. Cedarbrook
Springfield, MO 65808
(417) 866-8000

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6584 Ruch Rd.-East Allen Twp.
Bethlehem, PA 18017
(215) 837-0700

Kaminari Design Inc.

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(714) 529-6399

Kansas Jack Division/**Hein-Werner Corp.**

1101 W. First St.
P.O. Box 1286
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(316) 241-0830
(800) 235-5225

Kenco Engineering

P.O. 726
Middlebury, IN 46540
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130 Dundas St. E.
Mississauga, Ontario, Canada L5A 3V8

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Sealed Power Corp.**
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(313) 574-2332

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6970 Shady Oak Road
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(612) 941-6710

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Louisville, KY 40213
(800) 626-1565

Kontax II
5155 Mercury Point
San Diego, CA 92111
(619) 279-5559

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89 Lincolnwood
Highland, IL 60035
(312) 433-4450
(800) 323-9038

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L
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(513) 793-3200

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1243 Harmony Court
Thousand Oaks, CA 91362
(805) 496-7297

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(219) 262-2567

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Hicksville, NY 11801
(516) 681-3648

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P.O. Box 480
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(800) 348-7625

Lavery Enterprises Inc.
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Levittown, PA 19057
(215) 946-0616

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Elkhart, IN 46514
(219) 262-4561

Leisure Time Marketing Inc.
17197 Newhope St., Suite H
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(714) 751-6112

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3305 Kashiwa St.
Torrance, CA 90505
(213) 534-1630
(800) 446-5050

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Cedar Rapids, IA 52499
(319) 398-8511

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Jordan Road
P.O. Box 482
Toccoa, GA 30577
(404) 886-6853

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P.O. Box 3050
Tucker, GA 30084
(404) 934-7800; (800) 241-8334

LoKost Marketing Corp.
P.O. Box 56
Richland Center, WI 53581-0056
(414) 527-9869
(800) 558-5454

Luverne Truck Equipment Inc.
1200 Birch St.
P.O. Box 457
Brandon, SD 57005
(605) 582-7200

M

MIA Service Contracts
16633 Ventura Blvd., Suite 800
Encino, CA 91436-1872
(818) 906-3588
(800) CALL-MIA

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410 N. Main
Middlebury, IN 46540
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(417) 866-5531

McMillan & Co.
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Atlanta, GA 30305
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(614) 272-0202

Manheim Auctions
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(404) 843-5225

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Buffalo, NY 14240
(716) 843-5300

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Southfield, MI 48076
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(313) 894-0317
(800) 672-2263

Markham Equipment Co.

2006 W. Olive Ave.
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(818) 841-3200

Maurer-Shumaker Inc.

37025 Industrial Road
Livonia, MI 48150
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2700 Touhy Ave.
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(312) 364-6703

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1042 W. Hamlin Road
Rochester, MI 48063
(313) 656-2050

**Mid-America Environment
Service Inc.**

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Riverdale, IL 60627
(312) 841-7020

Mid-Atlantic Universal Motor Coach

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P.O. Box 177
Hampstead, MD 21074
(301) 374-5000

**Mills & Huerter Information
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(519) 473-4470

Mnemos Inc.

850 Bear Tavern Road
West Trenton, NJ 08628
(609) 883-6286

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Westfield, IL 62474
(217) 967-5436
(800) 437-5200

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(518) 842-1431
(800) 833-2006

Moloney Manufacturing Corp.

2640 W. Belmont Ave.
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(312) 463-8012

**Monumental General Financial
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1111 N. Charles St.
Baltimore, MD 21201
(301) 685-2900

Motors Insurance Corp.

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Detroit, MI 48202
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**NCD Associates Inc.**

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Oakland, CA 94621
(415) 531-8915

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Anaheim, CA 92806
(714) 630-4541

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Jonesboro, GA 30237
(404) 478-9590

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Inglewood, CA 90301
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(402) 464-2170

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Gardena, CA 90248
(213) 538-3122
(800) 682-4100
(800) 682-3100 (CA)

National Hole-In-One Association

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Dallas, TX 75206
(214) 691-6911
(800) 527-6944
(800) 442-6061 (TX)

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St. Louis, MO 63144
(314) 962-0761

Nationwide Ultra Seal Inc.

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Westbury, NY 11590
(516) 997-5430; (800) 645-3466

Net Profit Inc.

P.O. Box 1076
Alabaster, AL 35007
(205) 663-1962

New Profit Systems Inc.

5100 Olean St.
Fair Oaks, CA 95628
(916) 966-4642

New World Corp.

4110 N. Fir Road
Mishawaka, IN 46545
(219) 255-9205

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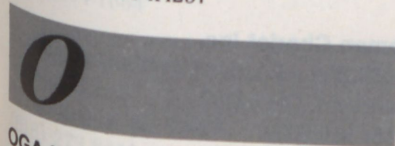
P.O. Box 368
Gresham, OR 97030
(503) 666-7478

Art Niemann & Co.

401 N. Wabash, Suite 530
Chicago, IL 60611
(312) 828-0061; (800) 621-1153

Nissan Motor Acceptance Corp.
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Gardena, CA 90247
(213) 532-3111

**Nissan Security Plus/
Nissan Motor Corp. in U.S.A.**
18501 S. Figueroa St.
Carson, CA 90248
(213) 532-3111 x4257



OGA International
1100 Owendale, Suite E
Troy, MI 48083
(313) 528-0547

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19737 Nordhoff Place
Chatsworth, CA 91311
(818) 993-1223

Oak Systems Inc.
340 W. Butterfield Road
Oakbrook, IL 60521
(312) 833-9770

Ohio Software Inc.
158 E. Main St.
Xenia, OH 45385
(800) 523-7621
(800) 523-9252 (OH)

Optronics Inc.
250 N. Wheeler St.
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555 Eisenhower Drive
Owatonna, MN 55060
(507) 451-5310

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P.O. Box 1796
San Francisco, CA 95808
(415) 756-3030

Paige-Ruane Inc.
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King of Prussia, PA 19406-0962
(215) 265-4170

Pana-Pacific Corp.
1460 Atteberry Lane
San Jose, CA 95131
(408) 942-8620

**Panasonic Industrial Co.
Telecommunications Division**
One Panasonic Way
Secaucus, NJ 07094
(201) 348-7933

Panelbloc Corp.
12750 Berea Road
Cleveland, OH 44111
(216) 671-7780

Paramount Industries Inc.
64722 CR 27
P.O. Box 813
Goshen, IN 46526
(219) 534-3617

The Patten Corp.
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Southfield, MI 48037
(313) 353-4520

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